

Luxembourg, 12th March 2019

**Circular Letter 19/10 of the Commissariat aux Assurances
Setting the rules concerning the permanent inventory of the assets
matching the technical provisions referred to in article 118 of the law of 7
December 2015, as amended, on the insurance sector**

A. Introduction

Following the entry into force of the law of 10 August 2018 transposing Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on the distribution of insurance and amending the amended law of 7 December 2015 on the insurance sector, insurance companies are required to identify, within the assets matching the technical provisions, pools of assets corresponding to specific activities.

Article 253-3 thus requires non-life insurance companies to identify on their inventory of the assets matching the technical provisions the assets covering assumed reinsurance commitments and those corresponding to their so-called fronting activities. Even though the accounting law had required life insurance companies since 1995 to identify in the accounts the assets for which the investment risk is borne by the policyholder, it results from article 253-5 that this identification must now also be detailed in the permanent inventory.

These new provisions should be taken into account in the rules laid down so far in Circular Letter 08/4 on the permanent inventory of the assets matching the technical provisions.

Since this circular letter still referred to the amended law of 6 December 1991, replaced by the law of 7 December 2015, the decision was taken, for the sake of readability and clarity, to replace by a new text the entire circular letter 08/4 laying down the rules concerning the permanent inventory of the assets matching the technical provisions.

Chapter 1 - General provisions

Article 1

For the purposes of this Circular Letter, the following definitions shall apply:

- 1) "Law" means the Law of 7 December 2015 on the insurance sector, as amended;
- 2) "Luxembourg undertaking" means an insurance undertaking whose head office is established in the Grand Duchy of Luxembourg;
- 3) "Third country undertaking" means an insurance undertaking whose head office is established outside the European Union;
- 4) "Currency" means the euro or a conventional currency issued by a sovereign State not member of the European Monetary Union;

- 5) “Type of activity” means an activity for which articles 253-5 and 253-6 provide a first preferential right on the corresponding matching assets, namely:
- for life insurance:
 - a. insurance operations where the investment risk is borne by the policyholder
 - b. life insurance and capital redemption operations other than those referred to in (a) above
 - for non-life insurance:
 - a. assumed reinsurance
 - b. insurance operations which are the subject of reinsurance with one or more insurance or reinsurance captives
 - c. non-life insurance operations other than those referred to in (a) and (b) above
- 6) “Permanent inventory” means the permanent inventory of assets underlying the technical provisions.

Article 2

Luxembourg undertakings and third country undertakings must keep a permanent inventory of the assets matching the technical provisions.

Since article 322 of the Law has maintained in force the provisions of the amended Law of 6 December 1991 and its implementing regulations, in particular the amended Grand-Ducal Regulation of 31 August 2000 implementing article 26 (3) of the amended Law of 6 December 1991 on the insurance sector and on pension funds subject to prudential supervision by the Commissariat aux Assurances, the provisions of this circular letter shall also apply to such pension funds.

The permanent inventory comprises the register, the annual statements and the quarterly statements.

Article 3

Luxembourg undertakings shall maintain the permanent inventory at the address of their head office. Third country undertakings shall keep it at the address of their branch in the Grand Duchy of Luxembourg.

Chapter 2 - The Register

Article 4

All assets intended to match technical provisions must be recorded in the register according to the rules described in article 5.

The register shall be established as follows:

- It shall be constituted in the form of a book with irremovable and sequentially numbered pages;
- the first page must contain the following information:
 - a) the legal name of the company;
 - b) the address of the head office and, for third country undertakings, the address of their legal representation in the Grand Duchy of Luxembourg;
 - c) the statement below, signed by a person with the authority to validly bind the undertaking and assign the securities in question:

"The undersigned declares that the securities registered in this register are assigned to the representation of technical provisions, debts towards policyholders, beneficiaries or any injured party having a direct right of action resulting from a direct insurance contract and debts arising from any amounts collected prior to the issuance of direct insurance contracts in accordance with article 117 of the amended law of 7 December 2015 on the insurance sector";
 - d) the date and signature.
- the register shall include a separate section for each type of activity.

Article 5

1. Each separate section of the register must include all the information necessary for the complete identification of each of the individual assets recorded therein.

If a particular asset is only partially assigned, the assigned fraction must be specified.

Where a property is assigned, the register shall mention the precise location of the property, the cadastral registration number as well as the address of the mortgage registry where the competent administration of the mortgage registration, as laid down in article 121 of the Law, has been carried out.

2. By way of derogation to the principle of individual inscription of assets, as laid down in point 1 of this article, a collective identification is required for assets subject to a deposit agreement covering only one type of activity and established in accordance with point 3 of the Circular Letter 16/9 of the Commissariat aux Assurances on the deposit of the matching assets of the technical provisions of insurance undertakings and pension funds subject to the prudential supervision of the Commissariat aux Assurances.

For the purpose of assigning all or part of the assets subject to a deposit agreement with a financial institution approved by the Commissariat aux Assurances, it is required:

- to mention the name and address of the depository institution, the date of approval by the Commissariat aux Assurances of the deposit agreement and, if applicable, the part assigned;
- to mention in the register that all assets which are or will be deposited therein are, from the date of their deposit, assigned at all times and for as long as they are so deposited.

Accounts excluded from the deposit agreement must not be recorded in the register.

In the event that a deposit agreement covers more than one type of activity, the collective registration is required in the section of the register relating to the activity for which the largest number of accounts covered by the agreement is used or intended to be used. This collective registration mentions the accounts or account roots assigned to the other types of activities.

In addition, the accounts or account roots relating to other types of activities must be reported individually in the relevant separate sections of the register.

3. By way of derogation to the principle of individual inscription of assets, as laid down in point 1 of this article, a collective identification shall be admitted in the following cases and in accordance with the following conditions:

- (a) for mortgage loans and policy loans of life assurance contracts (items 14 and 18 of Annex 1):

for the assignment of all or part of these assets, it is sufficient to record them globally in the separate section of the register to which they refer, stating that all or part of these assets which belong or will belong to the undertaking, are assigned at all times from the date of their registration up to their cancellation and indicating, if applicable, the part assigned;

- (b) for the accrued interest on assigned assets not subject to a deposit agreement (item 16 of Annex 1):

for the assignment of these assets, it is sufficient to record in the relevant separate sections of the register that accrued interest relating to the assets recorded in those separate sections is also assigned;

- (c) for outstanding premiums and claims on intermediaries (item 17 of Annex 1):

for the assignment of one of these investment categories, it is sufficient to mention in the relevant separate sections of the register that in the event of liquidation of the fund of segregated assets the proceeds of the sale of these assets form an integral part of the segregated funds.

- (d) for deferred acquisition costs (item 19 of Annex 1):

for the assignment these assets, it is sufficient to mention in the relevant separate sections of the register that the deferred acquisition costs are also assigned.

- (e) for reinsurance receivables (item 20 of Annex 1):

for the assignment of receivables arising from all reinsurance contracts concluded with a reinsurance undertaking and relating to a single type of activity, it is sufficient to indicate in the relevant separate section of the register:

- the name and address of the reinsurance undertaking;
- a statement that all receivables arising from current and future contracts are assigned at any time;

4. Where an individual asset has been authorised to qualify as a matching asset by way of derogation from the eligibility rules laid down by the regulations, this fact shall be stated in the relevant separate section of the register.

5. For the assignment of all or part of the liquidities referred to in Circular Letter 16/9, point 4, not subject to a deposit agreement with a credit institution approved by the Commissariat aux Assurances, the following must be recorded in the relevant separate section:
 - the name and address of the credit institution, the account number(s) concerned and, where applicable, the fraction assigned to the type of activity concerned;
 - a statement that all assets deposited or to be deposited there are at all times assigned from the day of their deposit and as long as they are deposited.
6. Any inscription or cancellation in the register must be dated.
7. The register must be constantly updated. Any change in the name or address of the custodians referred to in points 2 and 5 must be recorded.

Article 6

Every inscription in the register must be based upon supporting documentation to which reference must be made.

By application of article 5 (2) of this Circular Letter, the undertaking must be able to prove, by means of supporting documentation, the entry dates, and if applicable, the cancellation date of the assignment of each individual asset included in a collective registration.

The supporting documentation shall form an integral part of the permanent inventory.

Article 7

If an assignable asset is charged as collateral, this fact must be explicitly recorded in the register.

Article 8

Where an asset is fully or partially assigned, it can no longer be charged as collateral without the prior assent of the Commissariat aux Assurances.

Chapter 3 – Annual Return

Article 9

1. At the end of each financial year, the status of the permanent inventory is prepared by means of an "annual return".

The annual return is a package of documents comprising:

- a total summary return with a breakdown by type of activity and by main currencies¹;

¹ The summary report includes only EUR and USD currencies for the different types of activities; assets and liabilities expressed in another currency are grouped in the other currencies column. Notwithstanding this grouping in the summary

- a report on the most important issuers by asset category, by type of activity and by currency;
- a detailed list of assets by type of activity and by currency;
- a detailed list of the insurance commitments designated by article 32 point 1.3 of the Law as "insurance claims"² to be covered by matching assets, broken down by type of activity, then by type of claim within the meaning of article 25 point 1 and by currency;
- a detailed list of ceded reinsurance receivables and liabilities broken down by type of activity, then by type of receivable/liability within the meaning of article 25(2) and by currency;
- a profit and loss account for each collective internal fund.

All amounts shown on the annual returns are expressed in the currency of the undertaking's annual accounts.

2. The sum of the assets recorded in the register and indicated in the total summary return must be at least equal to the sum of the insurance claims, i.e. the sum of:
 - the value of technical provisions related to both insurance and assumed reinsurance, calculated in accordance with the rules laid down in article 117 of the Law
 - the debts towards policyholders, beneficiaries or injured parties having a direct right of action resulting from a direct insurance contract, and
 - the debts arising from any amounts collected prior to the issue of direct insurance or reinsurance contracts.
3. In case where supplementary assets would be assigned after the end of the year, but before the submission of the annual return, in order to make up a possible shortfall in the underlying assets, the undertaking must expressly record this in an annex to the annual return.
4. The total summary return and the report on the most important issuers shall be drawn up and completed in accordance with the instructions issued for the submission of the annual return of direct insurance undertakings.
5. The profit and loss account of each collective internal fund must be drawn up in accordance with the model in Annex 2.

Article 10

statement, the detailed lists may not be grouped in a similar way. For life insurance and pension fund business types for which the investment risk is borne by the policyholder a breakdown by currency is not required.

² The term insurance claim actually refers to a liability for the insurance undertaking; in accordance with the definition in Article 32 (1).3 of the amended version of 7 December 2015 on the insurance sector it includes any amount owed by an insurance undertaking to insured persons, policyholders, beneficiaries or any claimant having a right of direct action against the insurance undertaking and arising from an insurance or reinsurance contract or from any transaction referred to in Article 35, in the direct insurance business, including any amounts set aside for the aforesaid persons when certain elements of the debt are not yet known. Premiums owed by an insurance undertaking as a result of the said insurance contracts or transactions not being concluded or being cancelled pursuant to the law applicable to them before the collective liquidation procedure was initiated are also deemed to be insurance claims.

1. The presentation of the detailed lists of assets must be such that it is possible to move quickly from the aggregated amounts in the annual return to the data relating to the individual assets shown in bank statements.

In non-life insurance, an individual detailed list must be prepared for each type of activity mentioned in article 1 point 5, indent 2, and within each type of activity for each currency.

In life insurance, an individual detailed list must be drawn up:

- for each currency for the activity of article 1 point 5 indent 1 subparagraph (b).
- for each collective internal fund, for each dedicated internal fund and for each specialised internal fund for the activity of article 1 point 5 indent 1 subparagraph (a).

Each list relating to a currency may be presented, at the choice of the undertaking, following one of the two following options:

- a) a list drawn-up deposit account by deposit account and, within each deposit account, by category of asset of annex 1; in this case the bank statements may be used as the elements of the detailed list.
- b) a list drawn-up following to the categories of annex 1, then broken down within each category between the different deposit accounts.

Whichever option is chosen, the detailed list must contain sub-totals by deposit account and by category of Annex 1. Further, for each currency the undertaking shall draw-up an intermediate double entry return with a column for each deposit account and a line for each asset category and with a total per column and a total per line.

For collective or dedicated internal funds, the assets of a given fund must be kept by a single custodian, so that for each fund the detailed list has only to be broken down by category of assets. Since the assets of a specialised internal fund can be deposited through a multitude of deposit accounts, the detailed list must include, in addition to the breakdown by asset category, a breakdown by deposit account. As for classical currencies, the undertaking shall draw-up an intermediate double entry return in accordance with the model in annex 3, with a column for each internal fund/deposit account and one line for each category of asset and with a column and a line providing the totals per deposit account and per asset category;

For the different categories of assets, the detailed list must include at least the following data:

- a) for each one of the assets referred to in points 1 to 12a of Annex 1:
the identification of the asset (with the ISIN code if available), the bank account number where the asset is deposited, the market value or the estimated value, and the assigned value;
- b) for each one of the property assets referred to in point 13 of Annex 1:
an adequate description, the date of the last valuation, the balance sheet value, the valuation value, the assigned value and any existing preferential rights and mortgages;
- c) for each one of the mortgage loans referred to in point 14 of Annex 1:
the identification of the loan, the initial amount of the loan, the valuation value of the underlying property, the outstanding balance of the loan and, where applicable, the existing preferential rights and mortgages;

d) for the assets in cash referred to in point 15 of Annex 1:

the bank account number, the amount and the assigned value;

e) for accrued interest on assets referred to in point 16 of Annex 1:

the amount by investment category and the assigned value;

Instead of being indicated as a separate asset, the accrued interest may also be added to the value of the assets of the asset category concerned.

f) for each one of the outstanding premiums referred to in point 17 of Annex 1:

the identification of the contract, the amount and the assigned value;

g) for each one of the claims on intermediaries referred to in point 17 of Annex 1:

the identity of the debtor, the balance due and the assigned value;

h) for each one of the policy loans of life insurance contracts referred to in point 18 of Annex 1:

the identification of the loan, the amount and the assigned value;

i) for deferred acquisition costs referred to in point 19 of Annex 1:

the balance sheet value and the assigned value of deferred acquisition costs, as well as an indication of the valuation method;

j) for each one of the reinsurance claims referred to in point 20 of Annex 1:

the details of such claims must be recorded in the detailed list of reinsurance claims and liabilities in accordance with article 12;

k) for each one of the assets referred to in article 5 point 4:

if the asset refers to one of the above mentioned categories, the corresponding provisions shall be applicable; in all other cases, a full description, the assigned value and any possible restrictions made by the Commissariat at the time of its agreement must be recorded.

In all cases a reference to the Commissariat's approval must be mentioned.

2. In the case of the assignment of an indistinct fraction of an aggregate asset in application of article 5 points 2 and 3 of this circular letter, the detailed list by investment category may be, contrary to point 1 of this article, established only once for the aggregate asset; in the detailed list per type of activity and currency reference can be made to the aggregate asset as a whole with an indication of the fraction assigned.

Conversely, in the case where the assignment of part of a collective asset, as referred to in article 5 points 2 and 3, extends to clearly specified assets, the detailed list shall record those assets alone.

Article 11

The presentation of the detailed lists of insurance claims, whether resulting from direct insurance operations or assumed reinsurance operations, must be such that it is possible to move quickly from the aggregated figures in the annual statement to the data on individual insurance or reinsurance contracts mentioned in the contract management system.

A separate detailed list must be drawn up for each type of activity and for each currency.

Within each type of activity and each currency, it includes:

- the direct insurance claims broken down by type of insurance claims within the meaning of article 25 point 1 on a contract-by-contract basis for insurance claims relating to contracts with an indication of the contract or of the claims file number, as well as
- the non-individualisable direct insurance claims broken down by type of insurance claim within the meaning of article 25 (1).
- the assumed reinsurance claims broken down by type of insurance claim within the meaning of article 25 point 2 on a contract-by-contract basis for reinsurance claims relating to contracts with an indication of the contract or of the claims file number, as well as
- the non-individualisable assumed reinsurance claims broken down by type of insurance claim within the meaning of article 25 (2).

Article 12

The presentation of the detailed lists of ceded reinsurance receivables and payables must allow to move quickly from the aggregated amounts in the annual return to the data on individual reinsured direct insurance contracts mentioned in the contract management system.

A separate detailed list must be drawn up for each type of activity and currency.

Within each type of activity and each currency, it includes:

- for reinsurance claims and liabilities relating to specified direct insurance contracts: ceded reinsurance claims and payables broken down by type of claim/reinsurance debt within the meaning of article 25 point 2 and broken down on a contract-by-contract basis with the number of the direct insurance contract or of the direct insurance claim file, the identification of the reinsurer, the identification and the date of the reinsurance contract or treaty;
- for reinsurance claims and liabilities not relating to specific direct insurance contracts: ceded reinsurance claims and payables broken down by type of insurance claim within the meaning of article 25 point 2 with an indication of the identification of the reinsurer, the identification and the date of the reinsurance contract or treaty. Deposits received from reinsurers must be included in particular in this part of the detailed list of ceded reinsurance receivables and payables.

Insurance undertakings may merge into a single list the detailed list of insurance claims and the list of ceded reinsurance claims and liabilities.

Article 13

The annual return of assets matching technical provisions and the detailed lists related to this return must include the identification of the insurance undertaking.

The detailed lists may be kept only in electronic format.

All documents shall be either signed or accompanied by a document signed by a person having the power to validly commit the undertaking and to attest that the content corresponds exactly to the position of the permanent inventory at the end of the financial year concerned.

Article 14

The total summary return with a breakdown by type of activity and by currency and the report on the most important issuers must be sent to the Commissariat aux Assurances together with the annual return on the financial year under review.

Detailed lists and returns relating to internal collective funds must be kept at the head office of the insurance undertaking.

Chapter 4 - Quarterly return

Article 15

1. At the end of each quarter of its financial year, the insurance undertaking shall prepare a quarterly return.

The quarterly return is a package of documents comprising:

- a total summary return with a breakdown by type of activity and main currencies;
- a report on the most important issuers by asset category, by type of activity and by currency
- a return of the main counterparty exposures
- a return of assets representing unit-linked provisions (life insurance and pension funds only)
- a detailed list of assets by type of activity and by currency;
- if the calculation of technical provisions referred to in article 16 is not used, a detailed list of the insurance commitments designated by article 32 point 1.3. of the Law as "insurance claims"³ to be covered by matching assets broken down by type of activity, then by type of claim within the meaning of article 25 point 1 and by currency;
- a detailed list of ceded reinsurance receivables and liabilities broken down by type of activity, then by type of receivable/liability within the meaning of article 25 point 2) and by currency;

³ The term insurance claim actually refers to a liability for the insurance undertaking; in accordance with the definition in Article 32 (1).3 of the amended version of 7 December 2015 on the insurance sector it includes any amount owed by an insurance undertaking to insured persons, policyholders, beneficiaries or any claimant having a right of direct action against the insurance undertaking and arising from an insurance or reinsurance contract or from any transaction referred to in Article 35, in the direct insurance business, including any amounts set aside for the aforesaid persons when certain elements of the debt are not yet known. Premiums owed by an insurance undertaking as a result of the said insurance contracts or transactions not being concluded or being cancelled pursuant to the law applicable to them before the collective liquidation procedure was initiated are also deemed to be insurance claims.

All amounts in the quarterly return are expressed in euros.

For undertakings for which the financial year coincides with the calendar year, the quarter end dates are 31 March, 30 June, 30 September and 31 December.

For other undertakings, the year to be considered shall be the year in which the major part of the financial year falls. Thus, for an undertaking closing its accounts on 30 September, the 2019 financial year runs from 1 October 2018 to 30 September 2019. The first quarterly report for this undertaking is due on December 31, 2018.

As for the annual return, the amounts are to be supported by detailed lists drawn up in accordance with the requirements of articles 10, 11 and 12, lists which are to be kept available to the Commissariat aux Assurances at the undertaking's head office.

2. The provisions of articles 10 to 13 apply to the detailed lists referred to in the last three indents of point 1.
3. The total of assets recorded in the register and summarised on the quarterly returns must, at the end of each quarter, be at least equal to the sum of:
 - the value of the technical provisions calculated in accordance with the rules laid down in article 117 of the Law or according to article 16 hereafter,
 - the debts towards policyholders, beneficiaries or injured parties having a direct right of action resulting from a direct insurance contract and
 - the debts arising from any amounts collected prior to the issue of direct insurance contracts.
4. In case where supplementary assets would be assigned after the end of the quarter, but before the submission of the quarterly return, in order to make up a possible shortfall in the underlying assets, the undertaking must expressly record this in the annex to the quarterly return.
5. All the returns referred to in this article shall be established and completed in accordance with the instructions issued for the submission of the quarterly returns of direct insurance undertakings.

Article 16

1. In the absence of a calculation of technical provisions at the end of each quarter in accordance with the provisions of article 117 of the Law, undertakings must apply one of the methods described below:

A. “Non-life” insurance classes

The amount of change in the technical provisions at the end of the quarter is equal to the highest of the following two results:

first result (based on technical provisions):

- from the amount of technical provisions calculated in accordance with the provisions of article 117 of the Law at the end of the last accounting year, the amount of technical provisions calculated in accordance with the provisions of article 117 of the Law at the end of the accounting year before last shall be deducted;
- the first result is equal to a quarter of the difference obtained.

second result (based on premiums):

- from the total amount of premiums written net of cancellations in the current quarter, the total amount of premiums written net of cancellations in the corresponding quarter of the previous year shall be deducted;
- the second result is equal to 65% of the difference obtained.

B. "Life" insurance classes

The amount of change in the technical provisions at the end of the quarter is equal to the highest of the following two results:

first result (based on technical provisions):

- from the amount of technical provisions calculated in accordance with the provisions of article 117 of the Law at the end of the last accounting year, the amount of technical provisions calculated in accordance with the provisions of article 117 of the Law at the end of the accounting year before last shall be deducted;
- the first result is equal to a quarter of the difference obtained.

second result (based on premiums):

- the second result is obtained by calculating the difference between an amount equal to 80% of the total premiums written net of cancellations during the past quarter and the total of the amounts paid during that quarter for surrenders as well as death or maturity benefits.

2. For the last quarter of the accounting year the method referred to in point 1 shall result in a provisional amount of technical provisions, which shall be replaced as soon as the provisions calculated in accordance with the principles laid down in article 117 of the Law are known.
3. During the same financial year, a single method must be applied. No exemption from this rule may be made without prior authorization from the Commissariat aux Assurances.
4. The same method must be applied for all types of activities.
5. The Commissariat aux Assurances may impose another method or, at the undertaking's request, accept a method proposed by the undertaking.

Article 17

The quarterly return must be sent to the Commissariat aux Assurances within one month of the end of the relevant quarter.

The transmission procedures are laid down in the instructions issued for the submission of the quarterly return of direct insurance companies.

Article 18

1. In the annual and quarterly returns and except for assets underlying liabilities for which the investment risk is borne by the policyholder, the values of the assets must be reported for each asset and each type of activity in the column of the currency of that asset and that type of activity to the extent that the template provides a column for that currency. The fact that the company has, or has not, underwritten commitments in the currency of a given asset or that the asset may be used to cover a commitment expressed in different currency in a non-matching manner shall not be taken into consideration.
2. Matching assets expressed in a currency for which there is no specific column in the return must be regrouped in the column referenced 'other currencies' corresponding to the type of activity concerned.
3. Assets held by a life insurance undertaking or a pension fund to cover technical provisions relating to transactions for which the investment risk is borne by the policyholder shall not be considered to be denominated in the real currency of these assets, but shall be inscribed in the columns referenced "unit-linked contracts", "dedicated or specialised funds", "collective pension fund management" for life insurance and "defined benefit schemes", "defined contribution schemes" and "supplementary benefits" for pension funds.

In the case where such contracts include minimal guaranteed payments expressed in currencies, and for which separate technical provisions must be established, these provisions and the corresponding underlying assets shall not be indicated in the "unit-linked" columns but in the columns relating to the currencies concerned.

Article 19

The currency of an asset is determined according to the following criteria:

- a) the currency of the assets in categories 1 to 6 of Annex 1 shall be the currency of their repayment;
- b) the currency of the assets in categories 7 and 9 of Annex 1 shall be the currency in which they are listed; where such assets are listed in several currencies on one or more regulated markets, the undertaking may choose amongst the eligible currencies;
- c) the currency of the assets in category 8 of annex 1 shall be the currency of the country of the issuer's registered office;
- d) the currency of the assets in categories 10 to 12a of annex 1 is the currency in which the units are issued; however, in the case where the major part of the underlying assets is invested in another currency, by virtue of the features of a UCITS, the assets may also be assigned to that currency;
- e) property shall be recorded in the currency of the country of its geographical location;
- f) outstanding premiums and claims on intermediaries shall be denominated in the currencies in which these amounts are to be paid to the insurance undertaking;
- g) the currency of the policy loans of life insurance contracts and the deferred acquisition costs shall be the currency of the corresponding insurance contracts.
- h) unless justified, the currency of the reinsurance receivables is the currency of the gross liabilities reinsured.

Article 20

All amounts shall be converted into Euros or into the currency used for the annual accounts at the exchange rate of the last day of the quarter to which the returns refer or, where this day is not a trading day, the rate of the last day of trading day preceding that date.

The exchange rates applied must be mentioned on the annual and quarterly returns.

Chapter 6 - Assignment values

Article 21

1. The assets listed in points 1 to 12a of Annex 1 are assigned at their current value.
2. Subject to point 6 below, the current value means market value.
3. Where investments are listed on an official stock exchange, the market value means the value that is determined on the last day of the quarter or year to which the annual or quarterly returns refer or, where that day is not a trading day, the last trading day preceding that date.
4. Where a market for investments other than those referred to in point 3 exists, the market value means the average price at which such investments were traded on the last day of the quarter or year to which the annual or quarterly returns refer or, where that day is not a trading day, the last day of trading preceding that date.
5. Where, at the date of the preparation of the quarterly or annual returns, the investments referred to in points 3 or 4 have been sold or are to be sold in the short term, the market value shall be reduced by the actual or estimated trading costs.
6. All other investments are valued on the basis of a prudent valuation of the probable realisation value.

Article 22

Deferred acquisition costs are calculated:

- in non-life insurance on a basis which is consistent with the basis used to calculate the provision for unearned premiums;
- in life insurance, by applying actuarial methods previously approved by the Commissariat aux Assurances and in accordance with Circular Letter 95/7.

Where, pursuant to article 117 of the Law, the amount of technical provisions is determined in accordance with the rules of Title II, Chapter 6, Section 3 of the Law, the calculation of the deferred acquisition costs must follow the same rules.

Article 23

Receivables from reinsurers are valued in accordance with the valuation rules in Chapter 7 of the amended law of 14 December 1994 on the annual and consolidated accounts of insurance and reinsurance undertakings. Where, pursuant to article 117 of the Law, the amount of technical provisions is determined in accordance with the rules of Title II, Chapter 6, Section 3 of the Law, the valuation of reinsurance claims must follow the same rules.

Receivables from reinsurers may only be assigned up to the value net of the deposits received from these reinsurers. In the event that the amount of deposits received exceeds the amount of the receivable, leading to a negative net receivable, a nil amount is to be reported.

Article 24

Liquid assets not covered by a deposit agreement may only be assigned up to the insurer's net credit position vis-à-vis the financial institution concerned and net of any lien or pledge that a third party may have.

Chapter 7 - Insurance claims and ceded reinsurance receivables and liabilities

Article 25

1. Insurance claims include the following types of liabilities:

- the provision for unearned premiums
- the claims provision
- the life insurance provision
- other technical provisions
- premiums collected in advance
- debts to policyholders and beneficiaries.

Within each type of insurance claims, a distinction must be made between claims valued on a contract-by-contract (or claim-by-claim) basis and lump-sum provisions which cannot be assigned to a specific contract.

2. Ceded reinsurance receivables and liabilities include the following types of receivables and liabilities:

- the reinsurers' share of the provision for unearned premiums
- the reinsurers' share of the claims provision
- the reinsurers' share of life insurance provision
- the reinsurers' share of other technical provisions
- the reinsurers' share of premiums received in advance
- the reinsurers' share of debts to policyholders and beneficiaries.
- receivables from reinsurers due to benefits already paid
- debts to reinsurers as a result of deposits received
- other ceded reinsurance liabilities and receivables.

Within each type of reinsurance receivable ceded, a distinction must be made between receivables valued on a contract-by-contract (or claim-by-claim) basis and lump-sum provisions not attributable to a specific direct insurance contract.

The following text has been elaborated by the CAA for information purposes.
The French version of this Circular letter is the only authentic version.

Chapter 8 - Transitional and final provisions

Article 26

The annexes attached to this Circular Letter form an integral part of it.

Article 27

This Circular Letter applies from 1 July 2019.

Circular Letter 08/4 is repealed as from the same date.

For the Management Board

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Director

Appendix 1

Categories of Assets for the establishment of the annual and quarterly return

1. Bonds issued by a public issuer within the European Union
2. Bonds issued by a public issuer within the OECD but outside the European Union
3. Bonds issued by international organisations
- 3a. Mortgage bonds
4. Bonds issued by a private issuer within the European Union and traded on a regulated market
5. Bonds issued by a private issuer within the European Union and not traded on a regulated market
6. Private bonds issued by an issuer within the OECD but outside the European Union and traded on a regulated market

7. Shares issued by an issuer within the European Union and traded on a regulated market
8. Shares issued by an issuer within the European Union and not traded on a regulated market
9. Shares issued by an issuer within the OECD but outside the European Union and traded on a regulated market
10. UCIT funds invested in bonds
- 10a. Non-UCIT funds invested in bonds

11. UCIT funds invested in monetary instruments
- 11a. Non-UCIT funds invested in monetary instruments

12. UCIT funds invested in shares
- 12a. Other UCIT or non-UCIT funds

13. Property located within the European Union

14. Mortgage loans
15. Current, call or term deposit accounts
16. Accrued interest
17. Outstanding premiums and claims on intermediaries
18. Life insurance policy loans
19. Deferred acquisition costs
20. Reinsurance receivables net of deposits received
30. Assets admitted after CAA approval

40. Financial assets and deposits with ceding undertakings not admitted by the Commissariat aux Assurances

Appendix 2

Annual statement of internal collective funds

| |
|-----------------------------------|
| Company name: |
| Name of the internal fund: |
| Currency: units of account |

Profit and loss account

| | |
|---|-------|
| Products | |
| Interest on bonds and other fixed-income securities | ..... |
| Interest on current, call or fixed-term accounts | ..... |
| Dividends | ..... |
| Realized capital gains | ..... |
| Unrealized capital gains | ..... |
| Miscellaneous products | ..... |
| Total revenues | ..... |
| Charges | |
| Management fees | ..... |
| Financial expenses | ..... |
| Realized capital losses | ..... |
| Unrealized capital losses | ..... |
| Miscellaneous expenses | ..... |
| Total expenses | ..... |
| Net income for the year | ..... |

Evolution of the fund's assets

| | |
|--|-------|
| Fund value at the beginning of the year | ..... |
| Funds received against the issuance of new units | ..... |
| Funds disbursed on the cancellation of units | ..... |
| Net income for the year | ..... |
| Fund value at end of year | ..... |

Evolution of the number of units of account

| | |
|--|-------|
| Number of units of account at the beginning of the financial year | ..... |
| – account units held on behalf of policyholders | ..... |
| – account units held on behalf of the insurance company | ..... |
| Newly issued account units | ..... |
| – units issued upon receipt of new funds | ..... |
| – units issued as profit sharing | ..... |
| Cancelled account units | ..... |
| Number of units of account at the end of the financial year | ..... |
| – account units held on behalf of policyholders | ..... |
| – account units held on behalf of the insurance company | ..... |

Evolution of the unit value

| | |
|--|-------|
| Value at the beginning of the year | ..... |
| Value at the end of the financial year | ..... |

Appendix 3

Double entry tables of internal funds

| Asset class according to Annex I of Circular Letter 15/3 | Internal fund | Internal fund | TOTAL FOR ALL INTERNAL FUNDS |
|--|-------------------------------|-------------------------------|------------------------------------|
| A. BONDS | | | |
| 1. Bonds of an EEA public issuer | | | |
| 2. Bonds of a public issuer in OECD Area A excluding EEA | | | |
| 3. Bonds of international organizations comprising among its membership at least two EEA Member States | | | |
| 3a. Mortgage bonds | | | |
| 4. Bonds of an EEA non-public issuer traded on a regulated market | | | |
| 5. Bonds of a non-public issuer in OECD Area A outside the EEA traded on a regulated market | | | |
| 6. Bonds of an issuer outside OECD Area A traded on an EEA regulated market | | | |
| 7. Bonds of an issuer outside OECD Area A traded on a non-EEA regulated market approved by the Commissariat aux assurances | | | |
| 8. Bonds of a non-public issuer in OECD Area A not traded on a regulated market | | | |
| 9. Structured products such as bonds issued or guaranteed by a banking institution in OECD Area A that meets the conditions of point 5.5.3. of the Circular Letter | | | |
| B. SHARES | | | |
| 1. Shares of an EEA issuer traded on a regulated market | | | |
| 2. Shares of an issuer in OECD Area A outside the EEA traded on a regulated market | | | |
| 3. Shares of an issuer outside OECD Area A traded on a EEA regulated market | | | |
| 4. Shares of an issuer outside OECD Area A traded on a non-EEA regulated market approved by the Office of the Commissioner | | | |
| 5. Shares of an issuer in OECD Area A not traded on a regulated market | | | |
| 6. Equity type structured products issued or guaranteed by a banking institution in OECD Area A that meets the conditions of point 5.5.3 of the Circular Letter | | | |
| C. UCITS AND UNITS OF FUNDS OTHER THAN ALTERNATIVE FUNDS | | | |
| 1. UCITS in accordance with amended Directive 85/611/EEC | | | |
| 2. Fund units of an EEA country not in conformity with the amended Directive 85/611/EEC | | | |
| 3. Fund units of a territory dependent on an EEA country | | | |
| 4. Fund units of an OECD Area A country outside the EEA | | | |
| 5. Fund units of a country outside OECD Area A | | | |
| D. ALTERNATIVE FUNDS | | | |
| 1. Simple alternative fund from an EEA country | | | |
| 2. Simple alternative fund of a territory dependent on an EEA country | | | |
| 3. Simple alternative fund with enhanced guarantees from a territory dependent on an EEA country | | | |
| 4. Simple alternative fund of a country in OECD zone A excluding EEA | | | |
| 5. Funds of alternative funds from an EEA country | | | |
| 6. Funds of alternative funds from an EEA country territory | | | |
| 7. Funds of alternative funds with enhanced guarantees from a territory dependent on an EEA country | | | |
| 8. Funds of alternative funds from an OECD Area A country outside the EEA | | | |

The following text has been elaborated by the CAA for information purposes.
The French version of this Circular letter is the only authentic version.

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| E. OTHER ASSETS | | | |
| 1. Open-ended real estate funds and real estate funds guaranteed to be repurchased at least every six months from a country in Area A of the OECD | | | |
| 2. Current, call or fixed-term accounts | | | |
| 3. Accrued interest | | | |
| 4. Assets admitted after approval by the Commissariat | | | |
| GROSS FUND ASSETS | | | |