

### 5. Claims

Maturity claims are charged against revenue when due for payment. Surrenders are accounted for when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the long term business provision and/or the technical provision for linked liabilities. Death claims and all other claims are accounted for when notified.

Claims payable include related internal and external claims handling costs. Reinsurance recoveries are accounted for in the same period as the related claim.

### 6. Bonuses

Bonuses charged to the long term business technical account in a given year comprise:

(a) new reversionary bonuses declared in respect of that year, which are provided within the calculation of the long term business provision;

(b) terminal bonuses paid out to policyholders on maturity and included within claims paid.

### 7. Investment return

Investment return comprises investment income including realised and unrealised investment gains and losses, net of investment expenses, charges and interest.

Dividends are recorded on the date when the shareholder's right to receive payment is established. Interest, rents and expenses are accounted for on an accruals basis. Realised gains and losses on investments are calculated as the difference between net sales proceeds and the original purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or if they have been previously valued, their valuation at the last balance sheet date.

The investment return is apportioned between the technical and non-technical profit and loss accounts on a basis which takes into account that technical provisions are fully backed by investments and that the value of in-force business, fixed assets and working capital are financed in their entirety from shareholders' funds.

## 8. Foreign currencies

Transactions in foreign currencies have been converted into Maltese lira at the rates of exchange ruling on the date of the transaction. Assets and liabilities denominated in foreign currencies have been translated into Maltese lira at the rates of exchange ruling at the balance sheet date. All resulting differences are taken to the profit and loss account.

## 9. Investments

Investments in freehold properties are stated in the balance sheet at cost or are valued at open market value as determined by independent professional advisers every five years. Net unrealised appreciations arising on revaluations and attributable to the policyholders are credited to the technical profit and loss account. Unrealised gains relating to the non-technical profit and loss account are credited to a revaluation reserve and, to the extent that this is insufficient to cover any net deficits, are charged to the non-technical profit and loss account.

Investments in quoted shares and securities and units in unit trusts are stated at market value. Loans and unquoted shares are stated at a directors' valuation. Net appreciations and deficits arising from movements in the market value are treated in the same manner as for investment properties.

## 10. Value of in-force business

The value of in-force business is determined by the directors, based on the advice of the company's approved actuary. The valuation represents the discounted value of projected future transfers to shareholders from policies in force at the year end, after making provision for taxation. In determining this valuation, assumptions relating to future mortality, persistence and levels of expenses are based on experience of the type of business concerned. Gross investment returns assumed vary depending upon the mix of investments held by the company and expected market conditions.

Annual movements in the in-force business valuation are credited or debited to reserves.

## 11. Long term business provision

The long term business provision is determined by the company's approved actuary following his annual investigation of the financial condition of the company's long term business as required under the Insurance Business Act, 1998. The provision is calculated in accordance with the relevant legislation governing the determination of liabilities for the purposes of statutory solvency. The calculation uses a prospective valuation method and makes explicit provision for vested reversionary bonuses. Provision is also made, implicitly or explicitly, for future reversionary bonuses.

**12. Tangible assets**

Tangible fixed assets comprising furniture, fittings and equipment and motor vehicles are stated at cost less depreciation. Depreciation is calculated so as to write off the cost on a straight line basis over the expected useful economic lives of the assets concerned. Assets not yet in use are not depreciated.

The principal annual rates used for this purpose are:-

		%
Furniture, fittings and equipment	10	- 33.3
Motor vehicles		20

No depreciation is charged in respect of freehold properties held as property investments.

**13. Deferred taxation**

Deferred income tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax arising on unrealised capital gains attributable to shareholders is debited to the revaluation reserve whereas deferred tax arising on unrealised gains attributable to policyholders is debited to the technical profit and loss account.

**14. Debtors**

Debtors are carried at anticipated realisable value. An estimate is made for doubtful debtors based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

**15. Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, clients' bank accounts, deposits held at call with banks and time deposits maturing within three months.

**16. Borrowing costs**

Interest costs are charged against income without restriction. No borrowing costs have been capitalised.