
STATUTORY INSTRUMENTS

1994 No. 1984

**The Friendly Societies Act 1992
(Amendment) Regulations 1994**

PART IV

REGULATION OF BUSINESS

Financial resources

Margins of solvency

8. In subsection (1) of section 48 of the 1992 Act (margins of solvency in relation to insurance business of certain societies), in paragraphs (a) and (b) the words “in the United Kingdom” shall cease to have effect.

Adequacy of assets

9. After section 49 of the 1992 Act insert—

“Adequacy of assets and premiums

Adequacy of assets.

49A.—(1) A friendly society to which section 37(2) or (3) above applies which has entered into contracts of insurance shall secure—

- (a) that its liabilities under those contracts, other than liabilities in respect of linked benefits, are covered by assets of appropriate safety, yield and marketability having regard to the classes of business carried on; and
- (b) without prejudice to the generality of paragraph (a) above, that its investments are appropriately diversified and adequately spread and that excessive reliance is not placed on investments of any particular category or description.

(2) A friendly society to which section 37(2) above applies which has entered into a linked long term contract shall secure that, as far as practicable, its liabilities under the contract in respect of linked benefits are covered as follows—

- (a) if those benefits under the contract are linked to the value of units in an undertaking for collective investments in transferable securities or to the value of assets contained in an internal fund, by those units or assets;
- (b) if those benefits under the contract are linked to a share index or other reference value not mentioned in paragraph (a) above, by units which represent that reference value, or by assets of appropriate safety, yield and marketability which correspond, as nearly as may be, to the assets on which that reference value is based.

(3) A friendly society to which section 37(2) above applies which has entered into a linked long term contract shall also secure that its liabilities under the contract in respect of linked benefits are covered by assets of a description prescribed by regulations under section 56 below.

(4) In this section—

“linked benefits”, in relation to a linked long term contract, means benefits payable under the contract which are determined by reference to the value of or the income from property of any description (whether or not specified in the contract) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified);

“linked long term contract” means a contract the effecting of which constitutes the carrying on of insurance business falling within class III in head A in Schedule 2 to this Act.”.

Adequacy of premiums in respect of long term insurance

10. After section 49A of the 1992 Act insert—

“Adequacy of premiums in respect of long term insurance.

49B.—(1) Before entering into a contract the effecting of which constitutes the carrying on of long term business, a friendly society to which section 37(2) above applies shall satisfy itself that the aggregate of—

- (a) the premiums payable under the contract and the income which will be derived from them; and
- (b) any other resources of the society which are available for the purpose,

will be sufficient, on reasonable actuarial assumptions, to meet all commitments arising under or in connection with the contract.

(2) A friendly society to which section 37(2) above applies shall not rely on other resources for the purposes of subsection (1) above in such a way as to jeopardise the solvency of the society in the long term.”.