
STATUTORY INSTRUMENTS

1996 No. 946

The Insurance Companies (Reserves) Regulations 1996

PART I

PRELIMINARY

Citation, commencement and application

1.—(1) These Regulations may be cited as the Insurance Companies (Reserves) Regulations 1996 and shall come into force on 23rd December 1996.

(2) These Regulations shall have effect in respect of any financial year of a company ending on or after 23rd December 1996.

Interpretation

2.—(1) In these Regulations, unless the context requires otherwise —

“the 1994 Regulations” means the Insurance Companies Regulations 1994(1);

“the 1996 Regulations” means the Insurance Companies (Accounts and Statements) Regulations 1996(2);

“the Act” means the Insurance Companies Act 1982;

“accounting class” refers to the accounting classes set out in regulation 3(1) (interpretation) of the 1996 Regulations;

“accounted for” means reported pursuant to the 1996 Regulations;

“assessable mutual” means a mutual association—

(a) where the insurance business carried on by the association is limited to the provision of insurance to its members; and

(b) whose articles of association, rules or bye laws provide for the calling of additional contributions from members to meet claims;

“business categories corresponding to an accounting class” means the business categories specified in regulation 10(1) of the 1996 Regulations corresponding to the same general business classes;

“business group” means a group comprising descriptions of general business determined in accordance with regulation 6(1) below;

“business group maximum” has the meaning given in Part III of Schedule 1 to these Regulations;

“claim” means a claim against a company under a contract of insurance;

(1) S.I. 1994/1516, as amended by S.I. 1994/3133; S.I. 1995/3248; S.I. 1996/942; and S.I. 1996/944.

(2) S.I. 1996/943.

“claims management costs” refers to those claims management costs required by the shareholder accounts rules (note (4) to the profit and loss account format) to be included in claims incurred other than those which, whether or not incurred through the employment of the company’s own staff, are directly attributable to particular claims;

“company” means an insurance company;

“consequential loss risks” means risks falling within general business class 16 comprising risks of the persons insured sustaining loss attributable to interruptions of the carrying on of business carried on by them or to reduction of the scope of business so carried on;

“contract of insurance” includes a contract of reinsurance;

“credit insurance business” means all insurance business falling within general business class 14 that is not reinsurance business;

“direct business” refers to insurance business other than reinsurance business;

“equalisation reserve” means a reserve to be maintained under section 34A of the Act;

“facultative business” refers to facultative reinsurance business;

“financial year” means a period of account;

“general policy” means a policy evidencing a contract the effecting of which constitutes the carrying on of general business of a relevant description;

“gross premiums earned” in respect of a financial year means such proportion of gross premiums written as is attributable to risks borne by the company during that financial year;

“gross premiums written” means the amounts required by Schedule 9A to the Companies Act 1985(3) and Schedule 9A to the Companies (Northern Ireland) Order 1986(4) to be shown in the profit and loss account of an insurance company at general business technical account item I.1.(a);

“the last financial year” means the financial year which last ended before the date on which accounts and statements of the company relating to that financial year are required to be deposited with the Secretary of State pursuant to section 22 of the Act;

“maximum reserve” means the aggregate value of the business group maxima as calculated in accordance with Part III of Schedule 1 to these Regulations;

“net claims incurred” in respect of a financial year means claims arising from incidents occurring during that financial year (including direct claims handling expenses), net of reinsurance and other recoveries but excluding claims management costs;

“net claims paid” in respect of a financial year means claims paid during that financial year (including direct claims handling expenses), net of reinsurance and other recoveries but excluding claims management costs, regardless of whether incidents giving rise to such claims occurred during that financial year or any prior financial year;

“net operating expenses” means the net amount paid in a financial year in respect of commissions, other acquisition expenses, administrative expenses, reinsurers' commissions and profit participations;

“net premiums earned” and “net premiums written” mean, respectively, gross premiums earned, net of reinsurance premiums earned and gross premiums written, net of reinsurance premiums payable under reinsurance ceded;

(3) 1985 c. 6; Schedule 9A was substituted by S.I. 1993/3246, reg. 4 and amended by S.I. 1994/1516, reg. 85(1); the Insurance Companies (Reserves) Act 1995, section 3(3); and S.I. 1996/189, reg. 14(7).

(4) S.I. 1986/1032 (N.I.6); Schedule 9A was substituted by S.R. (N.I.) 1994 No. 428, reg. 4 and amended by the Insurance Companies (Reserves) Act 1995, section 3(3).

“nuclear installation” means any installation prescribed by the Nuclear Installations Regulations 1971⁽⁵⁾;

“nuclear matter” and “nuclear reactor” have the same meanings as in the Nuclear Installations Act 1965⁽⁶⁾;

“nuclear risks” means risks falling within any class of general business and arising in connection with the construction or use of any nuclear reactor or nuclear installation or the carriage of any nuclear matter;

“Part II business” and “Part III business” mean, respectively, business to which Part II and Part III of these Regulations applies;

“Part II company” and “Part III company” mean, respectively, a company to which Part II and Part III of these Regulations applies;

“proportional reinsurance treaty” means a reinsurance treaty under which in return for a proportion of the premium a pre-determined proportion of each claim payment by the cedant under policies subject to the treaty is recoverable from the reinsurer; and “non-proportional reinsurance treaty” shall be construed accordingly;

“reinsurance” and “reinsurer” include retrocession and retrocessionaire respectively;

“reinsurance recoveries” means amounts in respect of claims receivable by a company from a reinsurer under a contract of reinsurance;

“the shareholder accounts rules” means the rules contained in Schedule 9A to the Companies Act 1985 and Schedule 9A to the Companies (Northern Ireland) Order 1986 for the preparation of accounts by insurance companies;

“technical provisions” means the items required by Schedule 9A to the Companies Act 1985 and Schedule 9A to the Companies (Northern Ireland) Order 1986 to be shown in the balance sheet of an insurance company at liabilities items C.1 to 6; and

“unit of account” means the unit of account known as the ECU.

(2) For the purposes of these Regulations, business is accounted for on an accident year basis in respect of a financial year if, in the accounts and statements required to be deposited with the Secretary of State pursuant to section 22 of the Act, it is accounted for using Forms 21, 22 and 23 prescribed by the 1996 Regulations, and business is accounted for on an underwriting year basis if it is accounted for using Forms 24 and 25 prescribed by those Regulations.

(3) In these Regulations, references to a numbered class of general business are references to the class so numbered in Part I of Schedule 2 to the Act.

Scope

3.—(1) Part II of these Regulations makes provision for the purposes of section 34A of the Act (general business: equalisation reserve) in relation to business other than credit insurance business; and Part III makes provision for the purposes of that section in relation to credit insurance business.

(2) In relation to Part II—

- (a) any business to which that Part applies is hereby prescribed for the purposes of section 34A(1) as a description of general business; and
- (b) for the purposes of section 34A(3) (companies to which section 34A does not apply), there is hereby prescribed any company which is an assessable mutual.

(3) In relation to Part III—

(5) S.I. 1971/1381.

(6) 1965 c. 57.

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

- (a) any business to which that Part applies is hereby prescribed for the purposes of section 34A(1) as a description of general business; and
- (b) for the purposes of section 34A(3) there is hereby prescribed any company other than—
 - (i) a UK company; and
 - (ii) a non-EC company.