

1977 No. 72

INSURANCE

**Insurance Companies (Valuation of Assets) Regulations
(Northern Ireland) 1977**

Made 21st March 1977

Coming into operation 1st June 1977

The Department(a) of Commerce, in exercise of the powers conferred upon it by Articles 88 and 93 of the Insurance Companies (Northern Ireland) Order 1976(b) and of every other power enabling it in that behalf, hereby makes the following regulations:

Citation, commencement and revocation

1.—(1) These regulations may be cited as the Insurance Companies (Valuation of Assets) Regulations (Northern Ireland) 1977 and shall come into operation on 1st June 1977.

(2) The Insurance Companies (Valuation of Assets) Regulations (Northern Ireland) 1975(c) are hereby revoked.

Interpretation

2.—(1) In these regulations—

“the Order” means the Insurance Companies (Northern Ireland) Order 1976;

“approved financial institution” means any of the following:

- (a) the Bank of England,
- (b) the National Savings Bank,
- (c) a trustee savings bank within the meaning of the Trustee Savings Banks Act 1976(d),
- (d) a banking or discount company within the meaning of paragraph 23 of the Sixth Schedule to the Companies Act (Northern Ireland) 1960(e) or paragraph 23 of the Eighth Schedule to the Companies Act 1948(f),
- (e) a banking or discount company within the meaning of the Protection of Depositors Act 1963(g),
- (f) a person duly authorised by the Treasury to act for the purposes of the Exchange Control Act 1947(h) as an authorised dealer in relation to any foreign currency,
- (g) Finance for Industry Limited,
the International Bank for Reconstruction and Development,
the Inter-American Development Bank,
the African Development Bank,
the Asian Development Bank,
the Caribbean Development Bank, and

(a) Formerly Ministry: see 1973 c. 36 s. 40 and Sch. 5 para. 8(1)

(b) S.I. 1976/59 (N.I. 3) brought into operation by S.R. 1976 No. 56 (C. 2)

(c) S.R. 1975 No. 91 (I, p. 545)

(f) 1948 c. 38

(d) 1976 c. 4

(g) 1963 c. 16

(e) 1960 c. 22 (N.I.)

(h) 1947 c. 14

(h) the National Giro;

“approved securities” means any of the following:

- (a) securities issued by Her Majesty’s Government in the United Kingdom or by the Government of Northern Ireland, being fixed-interest securities registered in the United Kingdom, Treasury Bills, Tax Reserve Certificates and Certificates of Tax Deposit;
- (b) securities the repayment of the principal of which, or the payment of interest on which, is guaranteed by Her Majesty’s Government in the United Kingdom or by the Government of Northern Ireland;
- (c) fixed-interest securities issued in the United Kingdom by any public authority or nationalised industry or undertaking in the United Kingdom;
- (d) debentures issued by the Agricultural Mortgage Corporation Limited or the Scottish Agricultural Securities Corporation Limited;
- (e) loans to any authority to which this paragraph applies charged on all or any of the revenues of the authority or on a fund into which all or any of those revenues are payable, any fixed-interest securities issued in the United Kingdom by any such authority for the purpose of borrowing money so charged, and deposits with any such authority by way of temporary loan made on the giving of a receipt for the loan by the treasurer or other similar officer of the authority and on the giving of an undertaking by the authority that, if requested to charge the loan as aforesaid, it will either comply with the request or repay the loan:

The authorities to which this paragraph applies are:

- (i) any local authority in the United Kingdom;
- (ii) any authority all the members of which are appointed or elected by one or more local authorities in the United Kingdom;
- (iii) any authority the majority of the members of which are appointed or elected by one or more local authorities in the United Kingdom, being an authority which by virtue of any enactment has power to issue a precept to a local authority in England and Wales, or a requisition to a local authority in Scotland, or to the expenses of which, by virtue of any enactment, a local authority in the United Kingdom is or can be required to contribute;
- (iv) the Receiver for the Metropolitan Police District or a combined police authority (within the meaning of the Police Act 1964(i));
- (v) any water authority established under the Water Act 1973(j) and any water authority as defined in section 148 of the Local Government (Scotland) Act 1973(k);
- (f) any loan to, or deposit with, an approved financial institution; and
- (g) any securities issued or guaranteed by, and any deposits of cash with, any government, public or local authority or nationalised industry or undertaking outside the United Kingdom;

“asset” includes part of an asset;

“associate”, except in relation to a “qualified valuer”, has the same meaning as in Article 11(6) of the Order;

(i) 1964 c. 48
 (j) 1973 c. 37
 (k) 1973 c. 65

- “building society” means a building society within the meaning of the Building Societies Act (Northern Ireland) 1967^(l) or the Building Societies Act 1962^(m);
- “company” includes any body corporate;
- “computer equipment” means the electro-mechanical and electronic units which make up a computer configuration;
- “debenture” includes debenture stock and bonds, whether constituting a charge on assets or not, and loan stock or notes;
- “debenture option” means a right exercisable within a specified period, at the option of the holder of the right, to acquire or dispose of any debenture at a specified price;
- “debt” includes an obligation to pay a sum of money under a negotiable instrument;
- “enactment” includes an enactment of the Parliament of the United Kingdom;
- “equity share” means a share of equity share capital;
- “equity share capital” has the same meaning as in section 148(5) of the Companies Act (Northern Ireland) 1960;
- “fixed-interest securities” means securities which under their terms of issue bear a specified rate of interest;
- “general business amount” has the meaning assigned to it in regulation 15(2);
- “general business assets” and “general business liabilities” mean respectively assets and liabilities of an insurance company which are not long term business assets or long term business liabilities;
- “holding company” shall be construed in accordance with section 148(4) of the Companies Act (Northern Ireland) 1960;
- “industrial and provident society” means any society registered (or deemed to be registered) under the Industrial and Provident Societies Act (Northern Ireland) 1969⁽ⁿ⁾ or the Industrial and Provident Societies Act 1965^(o);
- “insurance company” includes, in relation to the application of these regulations for the purposes of Article 8 of the Order, a body proposing to carry on insurance business;
- “insurance liabilities” means, in relation to an insurance company, any debt due from or other liabilities of the company under any contract of insurance to which it is a party;
- “intermediary” means a person who in the course of any business or profession invites other persons to make offers or proposals or to take other steps with a view to entering into contracts of insurance with an insurance company, other than a person who only publishes such invitations on behalf of, or to the order of, some other person;
- “liability” includes a contingent or prospective liability and a part of a liability, but does not include a liability in respect of share capital;
- “linked assets” means, in relation to an insurance company, long term business assets of the company which are, for the time being, identified in the records of the company as being assets by reference to the value of which property linked benefits are to be determined;

^(l) 1967 c. 31 (N.I.)
^(m) 1962 c. 37

⁽ⁿ⁾ 1969 c. 24 (N.I.)
^(o) 1965 c. 12

“local authority” in relation to the United Kingdom, means any of the following authorities—

- (a) in England and Wales, a local authority within the meaning of the Local Government Act 1972^(p), the Common Council of the City of London, the Greater London Council and the Council of the Isles of Scilly;
- (b) in Scotland, a local authority within the meaning of the Local Government (Scotland) Act 1973;
- (c) in Northern Ireland, a district council within the meaning of section 1 of the Local Government Act (Northern Ireland) 1972^(q);

“long term business amount” has the meaning assigned to it in regulation 15(2);

“long term business assets” and “long term business liabilities” mean respectively assets of an insurance company which are, for the time being, identified as representing the long term fund or funds maintained by the company in respect of its long term business and liabilities of the company which are attributable to its long term business;

“middle market price” means—

- (a) in relation to an investment for which two prices are quoted in the official list published for the relevant market, the average of the two prices so quoted for the relevant date or, if no official list has been published for that day, for the most recent day prior to that day for which the official list has been published; and
- (b) in relation to an investment for which one price is quoted in the official list published for the relevant market, the price so quoted for the relevant date or, if no official list has been published for that day, for the most recent day prior to that day for which the official list has been published; and
- (c) in any other case, the nearest equivalent to the average referred to in paragraph (a) above which is published or can be reasonably ascertained from information which is published;

“price earnings ratio” means the Financial Times-Actuaries estimated price earnings ratio (net) relating to the Industrial Group;

“proper valuation” means, in relation to land, a valuation made by a qualified valuer not more than three years before the relevant date which determined the amount which would be realised at the time of the valuation on an open market sale of the land free from any mortgage or charge;

“property linked benefits” means benefits provided for under any contracts of the kind mentioned in Article 3(2) of the Order, the amount of which is to be determined by reference to the value of property of any description (whether specified in the contract or not);

“qualified valuer” means a person who—

- (a) is a fellow or professional associate of the Royal Institution of Chartered Surveyors or a fellow or associate of the Incorporated Society of Valuers and Auctioneers or the Rating and Valuation Association, and has knowledge and experience in the valuation of land, or
- (b) is approved for the time being by the Department of Commerce for the purposes of these regulations;

^(p) 1972 c. 70

^(q) 1972 c. 9 (N.I.)

“quoted” means, in relation to an investment—

- (a) that there has been granted a quotation or permission to deal in respect of that investment on a stock exchange which is a recognised stock exchange within the meaning of the Companies Act (Northern Ireland) 1960 and the Companies Act 1948;
- (b) that there has been granted such a quotation or permission on any stock exchange of repute outside the United Kingdom; or
- (c) that dealings in that investment are effected in a securities market of repute outside the United Kingdom being a market in which prices of all securities of which there are dealings are publicly quoted and which is supervised by a public authority;

and “unquoted” shall be construed accordingly;

“related company” means, in relation to an insurance company—

- (a) a dependent of the insurance company,
- (b) a company of which the insurance company is a dependent, or
- (c) a dependent of a company of which the insurance company is a dependent;

“relevant date” means, in relation to the valuation of any asset for any purpose for which these regulations apply, the date when the asset falls to be valued for that purpose;

“salvage right” means any right of an insurance company under a contract of insurance to take possession of and to dispose of property by virtue of the fact that the company has made a payment or has become liable to make a payment in respect of a loss thereof;

“securities” includes shares, debentures, Treasury Bills, Tax Reserve Certificates and Certificates of Tax Deposit;

“share” includes stock;

“share option” means a right exercisable within a specified period, at the option of the holder of the right, to acquire or dispose of any share at a specified price;

“subsidiary” shall be construed in accordance with section 148 of the Companies Act (Northern Ireland) 1960.

“Treasury Bills” includes bills issued by Her Majesty’s Government in the United Kingdom and Northern Ireland Treasury Bills.

(2) For the purposes of these regulations, a company is a dependent of another company if—

- (a) that other company, either alone or with any associate or associates, is entitled to exercise, or control the exercise of, one-third or more of the voting power at any general meeting of the first-mentioned company, or
- (b) the first-mentioned company is a dependent of any company which is that other company’s dependent.

Application

3.—(1) Subject to the provisions of paragraph (2), these regulations apply with respect to the determination of the value of assets of insurance companies for the purposes of Articles 8, 28(6), 30, 32(2)(b), 35 and 55 of the Order, any investigation to which Article 18 of the Order applies and any investigation made in pursuance of a requirement under Article 38 of the Order.

(2) Where an insurance company has entered into any contracts providing for the payment of property linked benefits, these regulations shall not apply with respect to the determination of the value of the linked assets by reference to the value of which those benefits are to be determined.

(3) Any asset to which these regulations apply (other than cash) for the valuation of which no provision is made in these regulations shall be left out of account for the purposes specified in paragraph (1).

(4) Where in accordance with these regulations the value of any asset is to be not greater than any specified amount and, in all the circumstances of the case, it appears that the asset is of a lesser value than that amount, such lesser value shall be the value of the asset.

Shares in and debts due or to become due from dependents

4.—(1) The value of any share in a dependent of an insurance company shall be not greater than that part of the net asset value of the dependent which would be payable in respect of the share if the dependent were in liquidation and the net asset value were the amount distributable to the shareholders in the winding up.

(2) In this regulation, “net asset value” means, in relation to a dependent, the amount by which the value of its assets, as determined in accordance with regulation 5, exceeds the amount of its liabilities as determined in the case of a dependent which is an insurance company, in accordance with regulation 5.

(3) The value of any debt due, or to become due, to an insurance company from a dependent (other than a debt to which regulation 6(2) or (3) applies) shall be the amount which would reasonably be expected to be recovered in respect of that debt (due account being taken of any security held in respect thereof) if the dependent were in liquidation and—

(a) in the case of a dependent which is an insurance company, the amount realised from its assets and the amount of its liabilities in the liquidation were equal to the value of those assets and the amount of those liabilities, as determined in accordance with regulation 5, and

(b) in the case of a dependent which is not an insurance company, the amount realised from its assets in the liquidation were equal to the value of those assets, as determined in accordance with regulation 5.

(4) Any share in a dependent—

(a) in which there is no such excess of assets over liabilities as is mentioned in paragraph (2), or

(b) in relation to which an insurance company cannot reasonably ascertain the amount of the liabilities of the dependent for the purposes of paragraph (2),

shall be left out of account for the purposes for which these regulations apply.

(5) Where an insurance company is unable to determine the value of any debt due or to become due to the company from a dependent because it cannot reasonably ascertain the amount of the liabilities of the dependent for the purpose of ascertaining what would reasonably be expected to be recovered in respect of that debt in accordance with paragraph (3), the debt shall be left out of account for the purposes for which these regulations apply.

Determination of valuation of assets and amount of liabilities of dependents for the purposes of regulation 4

5.—(1) The provisions of this regulation shall apply with respect to the determination of the value of the assets and the amount of the liabilities of a dependent for the purposes of regulation 4.

- (2) In the case of a dependent which is an insurance company—
- (a) subject to the provisions of paragraph (4) of this regulation and paragraph 3 of Schedule 1, the value of its assets shall be determined in accordance with these regulations;
 - (b) the amount of its liabilities shall be determined in accordance with any valuation regulations applicable for the purpose of Article 55 of the Order, in the case of general business liabilities, and for the purpose of any investigation to which Article 18 of the Order applies, in the case of long term business liabilities; and
 - (c) where the dependent carries on general business, an amount equal to—
 - (i) in the case of a dependent which has completed its first financial year, the relevant amount, for the time being, for the purposes of Article 8(1)(a) of the Order, and
 - (ii) in any other case, the amount specified, for the time being, in Article 8(1)(b) of the Order,
 shall be deemed to be a liability of the dependent.
- (3) In the case of a dependent which is not an insurance company—
- (a) the value of its assets shall be determined in accordance with these regulations, subject to the provisions of and the modifications provided for in paragraphs 3 and 4 of Schedule 1; and
 - (b) subject to the provisions of paragraph (4), assets of the dependent which are of a relevant description shall be taken into account only to the extent that their value does not exceed the permitted limit applicable to the dependent in relation to those assets.
- (4) Where—
- (a) the dependent is an insurance company and has general business assets of a relevant description or is not an insurance company and has assets of a relevant description,
 - (b) the value of such assets exceeds the permitted limit applicable to the dependent in relation to those assets, and
 - (c) the insurance company has no assets of the same description of the relevant class, or has assets of the same description of the relevant class and their value is less than the permitted limit applicable to the insurance company in relation to those assets,

then, for the purpose of determining the value of the assets of the dependent, there shall be added to the permitted limit applicable to the dependent in relation to the assets referred to in sub-paragraph (a) an amount equal to the supplementary amount determined in accordance with the provisions of Part I of Schedule 1.

(5) In this regulation and Schedule 1—

“assets of a relevant description” means assets of a description specified in Part I of Schedule 2 or, in the case of a dependent which is not an insurance company, assets which would be of such a description if it were an insurance company;

“the insurance company” means the company the value of whose shares in or debt due or to become due from the dependent is being determined in accordance with regulation 4;

“permitted limit” means, in relation to assets of a relevant description—

- (a) in the case of the insurance company, or a dependent which is an insurance company, an amount equal to the percentage of the general business amount or, as the case may be, the long term business amount applicable in relation to assets of that description in accordance with regulation 15 (as applied in the case of a dependent pursuant to paragraph (2)); and
- (b) in the case of a dependent which is not an insurance company, an amount equal to the percentage specified in Schedule 2, with respect to assets of that description, of the liabilities of the dependent, other than liabilities to the insurance company or any other related company of the insurance company;

and references to assets held by any company being of the same description as assets held by a dependent mean—

- (i) in relation to land of the dependent of a description specified in paragraph 1 of Schedule 2, any interest of that other company in that land,
- (ii) in relation to assets of the dependent of a description specified in paragraph 2 of the said Schedule, any debt due or to become due to that other company which is secured on the land on which the debt due or to become due to the dependent is secured, and
- (iii) in relation to assets of the dependent of a description specified in paragraphs 3 to 12 of the said Schedule, assets of that other company which, if held by the dependent, would be assets of that description.

(6) Save as otherwise provided in paragraph 3(5) of Schedule 1, references in this regulation and in the said Schedule to assets of the insurance company being of a relevant class mean—

- (a) where this regulation and the said Schedule are being applied for the purpose of determining the value of a long term business asset of the insurance company, assets of the insurance company which are long term business assets, and
- (b) in any other case, assets of the insurance company which are general business assets.

(7) Where the insurance company cannot reasonably ascertain in accordance with the provisions of this regulation—

- (a) the value of any asset of the dependent, or
- (b) the amount of the permitted limit applicable in relation to any asset of the dependent,

such asset shall be left out of account in determining the value of the assets of the dependent under this regulation.

Debts and other rights

6.—(1) The value of any debt due, or to become due, to an insurance company, other than a debt to which regulation 4(3), paragraphs (2), (3) or (4) of this regulation or regulations 9, 12 or 14 apply, shall be—

- (a) in the case of any such debt which is due, or will become due within twelve months of the relevant date (including any debt which would become due within that period if the company were to exercise any right to which it is entitled to require payment of the same), the amount which can reasonably be expected to be recovered in respect of that debt (due account being taken of any security being held in respect thereof); and
- (b) in the case of any other such debt, the amount which would reasonably be paid by way of consideration for an immediate assignment of the debt together with the benefit of any security held in respect thereof.

(2) The value of any debt due or to become due to the company which is secured on a policy of insurance issued by the company and which (together with any other debt secured on that policy) does not exceed the amount payable on a surrender of that policy at the relevant date shall be the amount of that debt.

(3) Any debt due, or to become due, to the company from an intermediary in respect of money advanced on account of commission to which that intermediary is not absolutely entitled at the relevant date shall be left out of account for the purposes for which these regulations apply.

(4) The value of any debt due to, or other rights of, the company under any contract of reinsurance to which the company is a party (other than a debt to which regulation 4(3) applies) shall be the amount which can reasonably be expected to be recovered in respect of that debt or right.

(5) The value of any salvage right of the company shall be the amount which can reasonably be expected to be recovered by virtue of the exercise of that right.

Land

7. The value of any land of an insurance company (other than land held by the company as security for a debt or to which regulation 13 applies) shall be not greater than the amount which (after deduction of the reasonable expenses of sale) would be realised if the land were sold at a price equal to the most recent proper valuation of that land which has been provided to the company and any such land of which there is no proper valuation shall be left out of account for the purposes for which these regulations apply.

Equipment

8.—(1) The value of any computer equipment of an insurance company—

- (a) in the financial year of the company in which it is purchased, shall be not greater than three-quarters of the cost thereof to the company;
- (b) in the first financial year thereafter, shall be not greater than one-half of that cost;
- (c) in the second financial year thereafter, shall be not greater than one-quarter of that cost; and
- (d) in any subsequent financial year, shall be left out of account for the purposes for which these regulations apply.

(2) The value of any office machinery (other than computer equipment), furniture, motor vehicles and other equipment of an insurance company, shall be, in the financial year of the company in which it is purchased, not greater than one-half of the cost thereof and shall be, in any subsequent financial year, left out of account for the purposes for which these regulations apply.

Amounts unpaid on partly paid shares

9.—(1) Where an insurance company has issued any share which is partly paid and that share is paid up to an amount equal to or greater than one-quarter of its nominal value or, in the case of a share issued at a premium, of the aggregate of its nominal value and the premium, the value of any moneys unpaid on that share and not already due shall be not greater than one-half of the amount of such moneys.

(2) There shall be left out of account for the purposes for which these regulations apply—

- (a) any moneys unpaid but already due on a share which is partly paid; and
- (b) any moneys unpaid on a share which is not paid up to an amount equal to, or greater than, one-quarter of its nominal value or, in the case of a share issued at a premium, of the aggregate of its nominal value and the premium.

Unquoted shares

10.—(1) The value of any unquoted equity share, other than a share in a dependent of the insurance company, shall be not greater than—

- (a) where the company in which the share is held has been carrying on business for more than three financial years, the multiple of the price earnings ratio for the relevant date (or, if no price earnings ratio has been published for that date, for the most recent date prior to that date for which a price earnings ratio has been published) and the proportionate amount attributable to that share of the average amount of the profits of the company for the last three financial years; and
- (b) where the company has been carrying on business for less than three but more than one financial year, the multiple of such price earnings ratio and the proportionate amount attributable to that share of the average amount of the profits of the company for its two financial years or the profits of the company available for distribution to shareholders in its only financial year (as the case may be).

(2) For the purpose of this regulation, the average amount of the profits of a company for any specified financial years shall be determined as follows:

- (a) there shall be ascertained the aggregate amount of the profits of the company available for distribution to shareholders in each of the specified years;
- (b) there shall be deducted therefrom—
 - (i) any loss made by the company in any of the specified years in which there were no profits available for distribution to shareholders, and
 - (ii) any undistributed profits brought forward into any of the specified years from any previous year (whether being a specified year or not); and
- (c) the amount ascertained in accordance with sub-paragraphs (a) and (b) shall be divided by the number of years specified.

(3) In this regulation, the proportionate amount attributable to any share of the average amount or the amount of any profits of the company in which the share is held for any specified years, shall be the amount which could reasonably be expected to be received in respect of that share if the average amount or the amount (as the case may be) of the profits in question were to be distributed by the company among its shareholders.

(4) Where the value of any share cannot be determined in accordance with the provisions of paragraph (1) because the amount of the profits available for distribution, or the amount of losses incurred, by the company in the last financial year cannot be reasonably ascertained, then the value of that share shall be determined—

- (a) in the case of a company which has been carrying on business for not less than four financial years, by reference to the average amount of the profits of the company for the three financial years preceding the last financial year; and
- (b) in the case of a company which has been carrying on business for less than four but more than two financial years, by reference to the average amount or the amount (as the case may be) of the profits of the company in any specified years other than the last financial year.

(5) Any share to be valued in accordance with the foregoing provisions of this regulation shall be left out of account for the purposes for which these regulations apply if—

- (a) no amount is attributable thereto in accordance with the provisions of paragraph (1);
- (b) the company in which the share is held has been carrying on business for less than one financial year; or
- (c) the value of the share cannot be ascertained in accordance with paragraph (1) because the amount of the profits available for distribution, or the amount of the losses incurred, by the company in any of the specified years cannot reasonably be ascertained and no provision is made for its valuation in paragraph (4).

(6) The value of any unquoted share, which is neither an equity share nor a share in a dependent of the insurance company, shall be the amount which would reasonably be paid by way of consideration for an immediate transfer of that share.

Unit trusts

11. The value of any holding of units, or other beneficial interest, under a unit trust scheme authorised for the purposes of the Prevention of Fraud (Investments) Act (Northern Ireland) 1940(r) or the Prevention of Fraud (Investments) Act 1958(s) shall be the price at which the managers under the unit trust scheme would purchase the holding of units or other beneficial interest if required to do so.

Quoted investments

12.—(1) The value of any quoted debenture which is not a debenture issued by a dependent of the insurance company, and of any quoted share which is not a share in such a dependent nor a share in any body specified in regulation 14(2)(a), shall be the middle market price.

(2) Where the quotation of any quoted debenture or quoted share, the value of which falls to be determined in accordance with this regulation, has been suspended for the time being, then that debenture or share shall be left out of account for the purposes for which these regulations apply.

(r) 1940 c. 9 (N.I.)

(s) 1958 c. 45.

Life interests, reversionary interests, etc.

13. The value of any asset consisting of an interest in property which—

- (a) is determinable upon the death of any person or upon the happening of some other future event or at some future time or is a remainder, reversionary interest, right of fee subject to a life-rent or other future interest, whether vested or contingent, and
- (b) is not a lease or reversionary interest expectant upon the determination of a lease,

shall be the amount which would reasonably be paid by way of consideration for an immediate transfer or assignment thereof.

Other assets

14.—(1) The value of any approved securities shall be—

- (a) in the case of quoted securities, the middle market price;
- (b) in the case of securities which are not transferable, the amount payable on a surrender or redemption of such securities at the relevant date; and
- (c) in any other case, the amount which would reasonably be paid by way of consideration for an immediate transfer or assignment thereof.

(2) The value of—

- (a) shares in any building society or industrial and provident society, and
- (b) share options and debenture options,

shall be the amount which would reasonably be paid by way of consideration for an immediate transfer or assignment thereof.

Assets to be taken into account only to a specified extent

15.—(1) Assets of an insurance company of any of the descriptions specified in Schedule 2 shall be taken into account only to the extent that the value of those assets does not exceed—

- (a) in the case of general business assets of a description specified in Part I of the said Schedule, an amount equal to the percentage of the general business amount specified in the said Schedule with respect to assets of that description;
- (b) in the case of long term business assets of a description specified in Part I of the said Schedule, an amount equal to the percentage of the long term business amount so specified;
- (c) in the case of general business assets of the description specified in Part II of the said Schedule, an amount equal to the percentage specified in the said Schedule of the net premium income of the company in respect of general business (other than premium income in respect of treaty reinsurance accepted) for the twelve months preceding the relevant date; and
- (d) in the case of long term business assets of the description specified in Part II of the said Schedule, an amount equal to the percentage so specified of the net premium income of the company in respect of long term business (other than premium income in respect of treaty reinsurance accepted) for the twelve months preceding the relevant date.

(2) In this regulation—

“general business amount” means the aggregate of—

- (a) the company’s general business liabilities; and
- (b) in the case of a company which carries on general business, an amount equal to—
 - (i) in the case of a company which has completed its first financial year, the relevant amount for the time being for the purposes of Article 8(1)(a) of the Order, and
 - (ii) in any other case, the amount for the time being specified in Article 8(1)(b) of the Order;

less the amount of the deduction specified in paragraph (3);

“long term business amount” means the aggregate of the company’s long term business liabilities less the amount of the deduction specified in paragraph (3); and

“the net premium income” of a company for any specified period means the gross amounts first recorded in the company’s books during that period as paid or due to the company by way of premiums, less any rebates, refunds and commission so recorded during that period as allowed or paid on those gross amounts or on any such gross amounts so recorded in any previous period.

(3) The deduction to be made in determining the general business amount or the long term business amount in accordance with paragraph (2) shall be the aggregate of the following:

- (a) the amount of any general business liabilities or, as the case may be, long term business liabilities of the company to related companies, other than insurance liabilities, and
- (b) the value of the debts due or to become due to and other rights of the company under contracts of reinsurance ceded by it (but excluding any rights of recovery in respect of insurance liabilities already discharged by the company) which are general business assets or, as the case may be, long term business assets of the company, and
- (c) in the case of the long term business amount, the amount of any liabilities of the company in respect of property linked benefits.

(4) For the purposes of this regulation, the amount of the liabilities of an insurance company shall be determined in accordance with any valuation regulations applicable for the purposes of Article 55 of the Order, in the case of general business liabilities and for the purpose of any investigation to which Article 18 of the Order applies, in the case of long term business liabilities.

(5) This regulation shall not apply to any approved securities.

Sealed with the Official Seal of the Department of Commerce for Northern Ireland on 21st March 1977.

(L.S.)

W. T. McCrory
Assistant Secretary

SCHEDULE 1

Regulation 5

PART I

THE SUPPLEMENTARY AMOUNT

1. Subject to the provisions of paragraph 2(1), the supplementary amount in relation to assets of a relevant description held by a dependent of the insurance company shall be determined in accordance with the following formula:

$$A = \frac{B}{C} \times D$$

in which

A is the supplementary amount;

B is the amount by which the value of assets of that description held by the dependent, excluding any long term business assets of the dependent if it is an insurance company, exceeds the permitted limit applicable to the dependent in relation to those assets;

C is the aggregate of the amount specified in B above and of the amounts by which the value of assets of the same description held by other relevant dependents, excluding any long term business assets of a dependent which is an insurance company, exceeds respectively the permitted limits applicable to such other relevant dependents in relation to those assets;

D is—

(a) where the insurance company holds no assets of the same description of the relevant class, the amount of the permitted limit that would be applicable to the insurance company in relation to such assets were it to hold them; and

(b) where the insurance company holds assets of the same description of the relevant class, the amount by which the permitted limit applicable to the insurance company in relation to those assets exceeds the value of those assets.

2.—(1) Where for the purpose of determining any supplementary amount in accordance with paragraph 1, the insurance company cannot reasonably ascertain—

(a) the value of any asset of a relevant dependent, or

(b) the amount of the permitted limit applicable in relation to any asset of a relevant dependent,

such asset shall be left out of account for that purpose.

(2) In this Part of this Schedule—

“relevant dependent” means—

(a) where this Schedule is being applied in relation to the determination of the value of a share in, or debt due or to become due from, a dependent of the insurance company which is a long term business asset of the insurance company, any dependent of the insurance company—

(i) a share in which, or in any company of which it is a dependent, is a long term business asset of the insurance company, or

(ii) from which a debt is due, or will become due, to the insurance company which is a long term business asset of that company; and

(b) in any other case, any dependent of the insurance company—

(i) a share in which, or in any company of which it is a dependent, is a general business asset of the insurance company, or

(ii) from which a debt is due, or will become due, to the insurance company which is a general business asset of that company.

PART II

FURTHER PROVISIONS AND MODIFICATIONS OF THE REGULATIONS APPLICABLE WITH RESPECT TO THE DETERMINATION OF THE VALUE OF DEPENDENTS

3.—(1) This paragraph applies where, for the purpose of ascertaining the value of the assets of the subject company under regulation 5, any determination falls to be made in accordance with regulation 5 of the value of the assets of a dependent of the insurance company, a share in which, or a debt due or to become due from which, is an asset of the subject company; and references herein to a determination of the value of assets of a dependent to which this paragraph applies are references to any such determination.

(2) Regulation 5(4) shall not apply with respect to a determination of the value of assets of a dependent to which this paragraph applies.

(3) Where, in the case of a determination of the value of assets of a dependent to which this paragraph applies—

- (a) the dependent is an insurance company and has general business assets of a relevant description or is not an insurance company and has assets of a relevant description,
- (b) the value of such assets exceeds the permitted limit applicable to the dependent in relation to those assets, and
- (c) any controller of the dependent has no assets of the same description of the relevant class, or has assets of the same description of the relevant class and their value is less than the permitted limit applicable to that controller in relation to those assets;

then, for the purposes of such determination, there shall be added to the permitted limit applicable to the dependent in relation to the assets referred to in sub-paragraph (a) an amount equal to the supplementary amount or, if there is more than one such controller, to the aggregate of the supplementary amounts, determined with respect to any such controller in accordance with the provisions of Part I of this Schedule, subject, where the controller is not the insurance company, to the modifications specified in sub-paragraph (5).

(4) In this paragraph, “a controller” means, in relation to a dependent—

- (a) the insurance company,
- (b) the subject company, if it is an insurance company, and
- (c) a dependent of the insurance company which is an insurance company of which the subject company is a dependent.

(5) Where sub-paragraph (3) is being applied in relation to a controller, other than the insurance company—

- (a) Part I of this Schedule, as applied in accordance with the said sub-paragraph, shall have effect as if, for the references to the insurance company, there were substituted references to the controller, and
- (b) the references to assets being of a relevant class in the said sub-paragraph and in Part I of this Schedule, as so applied, shall be construed as referring to long term business assets of the controller, if the said sub-paragraph is being applied in connection with the determination of the value of a long term business asset of the controller, and to general business assets of the controller, in any other case.

4. The modifications of these regulations applicable (in addition to that specified in paragraph 3(2)) with respect to the determination of the value of the assets of the subject company where it is not an insurance company, are as follows:

- (a) these regulations shall apply to the subject company as if it were an insurance company and its assets were being valued for a purpose specified in regulation 3(1);

- (b) regulation 3(2) shall not apply; and
- (c) regulation 15 shall not apply.

5. In this Schedule, "subject company" means the dependent of the insurance company the value of whose assets is being determined in accordance with regulation 5(2) or (3) (as the case may be).

SCHEDULE 2

Regulation 15

ASSETS TO BE TAKEN INTO ACCOUNT ONLY TO A SPECIFIED EXTENT

PART I

Descriptions of Asset	Percentage of general business or long term business amount
1. A piece of land (not being land held as a security for a debt) or a number of pieces of such land to which in the most recent proper valuation of such pieces of land an aggregate value is ascribed which is greater than the aggregate of the value of each of such pieces of land valued separately.	5%
2. A debt (other than a quoted debenture) due or to become due to the insurance company from any person (not being an individual nor a dependent of the insurance company) which is fully secured on land or a number of such debts all of which are secured on the same land.	5%
3. Debts (other than quoted debentures, debts to which regulation 6(2), (3) or (4) apply, and debts of the descriptions specified in paragraphs 2 or 13) which are due or will become due to the insurance company within twelve months of the relevant date (including debts which would become due within that period if the company were to exercise any right to which it is entitled to require repayment of the same) from—	
(a) any one company and any of its connected companies (not being a dependent of the insurance company);	2½%
(b) any one unincorporated body of persons.	2½%
4. Debts (other than quoted debentures, debts to which regulation 6(2), (3) or (4) apply and debts of the descriptions specified in paragraphs 2, 3 or 13) which will become due to the insurance company from—	
(a) any one company and any of its connected companies (not being a dependent of the insurance company);	1%
(b) any one unincorporated body of persons.	1%
5. Quoted equity shares in any one company and any of its connected companies (not being a dependent of the insurance company).	2½%
6. Quoted shares (including quoted equity shares but only to the extent that such shares may be taken into account in accordance with paragraph 5) and quoted debentures in any one company and any of its connected companies (not being a dependent of the insurance company).	5%
7. Unquoted shares in any one company and any of its connected companies (not being a dependent of the insurance company).	1%
8. Debts and shares of the descriptions specified in paragraphs 3, 4, 5, 6 and 7 due or to become due from or held in any one company and any of its connected companies to the extent that such debts and shares may be taken into account in accordance with the provisions of those paragraphs.	7½%
9. Debts due or to become due to the insurance company from any individual (other than debts of the descriptions specified in regulation 6(2) or in paragraphs 3(b), 4(b), 10 or 13).	¼%

Descriptions of Asset	Percentage of general business or long term business amount
10. Debts due or to become due to the insurance company from any individual (other than an individual who is connected with the insurance company as mentioned in Article 30(5) of the Order), being debts which are fully secured on any dwelling or any land appurtenant thereto owned or to be purchased by the individual and used or to be used by him for his own residence.	1%
11. Computer equipment.	5%
12. Office machinery (other than computer equipment), furniture, motor vehicles and other equipment.	2½%

PART II

Descriptions of Asset	Percentage of general business or long term business net premium income
13. Amounts recorded in the insurance company's books as due in respect of premiums (other than premiums in respect of treaty reinsurance accepted) which either— (a) have not been paid, or (b) have been received by an intermediary on behalf of the company, but have not been paid to the company by the intermediary, less any rebates, refunds and commission recorded in the company's books as allowable or payable in respect of any such amounts.	30%

PART III

14. In this Schedule, a company is a connected company of another company if it is—
- (a) a subsidiary of that other company,
 - (b) the holding company of that other company, or
 - (c) a subsidiary of the holding company of that other company.

15. In this Schedule, a debt is fully secured on land if the amount that would be realised on a sale of that land at a price equal to the most recent proper valuation of that land would (after deducting the reasonable expenses of sale) be sufficient to enable that debt (and any other obligation secured on that land which has priority to or ranks equally with that debt) to be discharged in full.

EXPLANATORY NOTE

(This note is not part of the regulations but is intended to indicate their general purport.)

These regulations revoke and replace with modifications and additions the Insurance Companies (Valuation of Assets) Regulations (Northern Ireland) 1975 (S.R. 1975 No. 91). Those Regulations provided for the valuation of the assets of insurance companies for the purposes of provisions in the Insurance Companies Act (Northern Ireland) 1968 and the Insurance Companies Amendment Act 1973 requiring the value of such assets to be determined in accordance with valuation regulations. Both of these enactments were consolidated in, and repealed by the Insurance Companies (Northern Ireland) Order 1976 [which was brought into operation on 19 April 1976, S.R. 1976 No. 56 (c. 2).]

The main modifications and additions are comprised in regulations 5 and 15.

The general principle which was established by the superseded regulations was that the valuation of shares in and debts owed by dependent companies of an insurance company was to be determined as if the dependents were in liquidation. Regulation 4 reproduces this principle. However, regulation 15 introduces limits on the extent to which the value of assets of certain descriptions listed in Schedule 2 may be taken into account for valuation purposes. Regulation 5 and Schedule 1 modify the application of the admissibility limitations established by regulation 15 and Schedule 2 in the case of assets of insurance companies which are members of a group.