



Insurance Companies Act 1974

1974 CHAPTER 49

PART II

REGULATION OF INSURANCE COMPANIES

Assets and liabilities attributable to long term business

25 Allocations to policy holders

- (1) Where in the case of an insurance company to which this Part of this Act applies—
- (a) there is an established surplus in which long term policy holders of any class are eligible to participate; and
 - (b) an amount has been allocated to policy holders of that class in respect of the last preceding established surplus in which policy holders of that class were eligible to participate,

the company shall not apply assets representing any part of the surplus mentioned in paragraph (a) above for purposes other than those mentioned in section 24(1) above unless the company has allocated to policy holders of that class in respect of that surplus either an amount not less than the relevant minimum, or, if the requirements of subsection (3) below have been complied with, the smaller amount specified in the notice served under paragraph (a) of that subsection.

- (2) Subject to subsections (6) and (7) below, the relevant minimum is an amount calculated by—
- (a) taking an amount which bears to the surplus mentioned in paragraph (a) of subsection (1) above the same proportion as the amount mentioned in paragraph (b) of that subsection bears to the surplus mentioned in that paragraph; and
 - (b) deducting an amount equal to one half of 1 per cent. of the amount of the surplus mentioned in the said paragraph (a).

- (3) The requirements of this subsection are that the company—

Status: This is the original version (as it was originally enacted).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

- (a) has served on the Secretary of State a written notice stating that it proposes to make an allocation of an amount (specifying it) which is smaller than the relevant minimum; and
 - (b) has published a statement approved by the Secretary of State in the London and Edinburgh Gazettes and in such other ways as he may have directed,
- and that a period of not less than fifty-six days has elapsed since the date, or the last date, on which the company has published the statement mentioned in paragraph (b) above as required by or under that paragraph.
- (4) In this section " established surplus" means an excess of assets representing the whole or a particular part of the fund or funds maintained by the company in respect of its long term business over the liabilities, or a particular part of the liabilities, of the company attributable to that business as shown by an investigation to which section 14 above applies or which is made in pursuance of a requirement imposed under section 34 below.
- (5) For the purposes of this section an amount is allocated to policy holders if, and only if—
- (a) bonus payments are made to them; or
 - (b) reversionary bonuses are declared in their favour or a reduction is made in the premiums payable by them ;
- and the amount of the allocation is, in a case within paragraph (a) above, the amount of the payments and, in a case within paragraph (b) above, the amount of the liabilities assumed by the company in consequence of the declaration or reduction.
- (6) For the purposes of this section the amount of any bonus payments made in anticipation of an established surplus shall be treated as an amount allocated in respect of that surplus; and for the purposes of subsection (2) above the amount of any surplus shall be treated as increased by the amount of any such payments made in anticipation of it.
- (7) Subsection (1) above shall not authorise the application for purposes other than those mentioned in section 24(1) above of assets representing any part of the surplus mentioned in subsection (1)(a) above which the company has decided to carry forward unappropriated; and for the purposes of subsection (2) above the amount of any surplus shall be treated as reduced by any part thereof which the company has decided to carry forward as aforesaid.