

SCHEDULES

SCHEDULE 15

QUALIFYING POLICIES

PART I

QUALIFYING CONDITIONS

Special types of policy

(i) Friendly Society policies

- 3 (1) Paragraphs 1 and 2 above do not apply to a policy issued by a registered friendly society in the course of tax exempt life or endowment business in respect of an insurance made or varied on or after 19th March 1985, but such a policy shall not be a qualifying policy unless—
- (a) in the case of a policy for the assurance of a gross sum or annuity, the conditions in sub-paragraph (2) are fulfilled with respect to it; and
 - (b) in the case of a policy for the assurance of a gross sum, the conditions in sub-paragraphs (5) to (11) below are fulfilled with respect to it; and
 - (c) in the case of a policy issued by a new society, the contract for the insurance was made by a member of the society over the age of 18.
- (2) The conditions referred to in sub-paragraph (1) above are as follows—
- (a) subject to sub-paragraph (3) below, the period (the “term” of the policy) between—
 - (i) the making of the insurance or, where the contract provides for the term to begin on a date not more than three months earlier than the making of the insurance, that date, and
 - (ii) the time when the gross sum assured is payable (or, as the case may be, when the first instalment of the annuity is payable),shall be not less than ten years, and must not, on any contingency other than the death, or retirement on grounds of ill health, of the person liable to pay the premiums or whose life is insured, become less than ten years;
 - (b) subject to sub-paragraph (4) below, the premiums payable under the policy shall be premiums of equal or rateable amounts payable at yearly or shorter intervals over the whole term of the policy of assurance, or over the whole term of the policy of assurance apart from any period after the person liable to pay the premiums or whose life is insured attains a specified age, being an age which he will attain at a time not less than ten years after the beginning of the term of the policy of assurance;
 - (c) until the expiration of three-quarters of the term of the policy of assurance, or of ten years from the beginning of the term, whichever is the shorter,

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the policy may not be surrendered to the friendly society for consideration exceeding the amount of the premiums paid, except that if a surrender value is prescribed by section 24 of the Industrial Assurance Act 1923 or section 3 of the Industrial Assurance and Friendly Societies Act 1929 or by Article 30 or 35 of and Schedule 7 to the Industrial Assurance (Northern Ireland) Order 1979, the limit on the consideration shall be either that value or the amount of the premiums paid whichever is the greater.

- (3) Notwithstanding sub-paragraph (2)(a) above, the policy—
- (a) may provide for a payment to a person of an age not exceeding 18 years at any time not less than five years from the beginning of the term of the policy if the premium or premiums payable in any period of 12 months in the term of the policy do not exceed £13;
 - (b) may provide for a payment at any time not less than five years from the beginning of the term of the policy, if it is one of a series of payments falling due at intervals of not less than five years, and the amount of any payment, other than the final payment, does not exceed four-fifths of the premiums paid in the interval before its payment.

For the purposes of paragraph (a) above, if the term begins on a date earlier than the making of the insurance, any premium paid in respect of a period before the making of the insurance, or in respect of that period and a subsequent period, shall be treated as having been payable on that date.

- (4) Notwithstanding sub-paragraph (2)(b) above, the policy—
- (a) may allow a payment at any time after the expiration of one-half of the term of the policy of assurance, or of ten years from the beginning of the term, whichever is the earlier, being a payment in commutation of the liability to pay premiums falling due after that time;
 - (b) may allow the person liable to pay the premiums to commute any liability for premiums where he ceases to reside in the United Kingdom or gives satisfactory proof of intention to emigrate;
 - (c) may allow any liability for premiums to be discharged in consideration of surrendering a sum which has become payable on the maturity of any other policy of assurance issued by the same friendly society to the person liable to pay the premiums, or to his parent, where that other policy of assurance is issued as part of the friendly society's tax exempt life or endowment business; and
 - (d) may make provision for the waiver of premiums by reason of a person's disability.
- (5) Where the policy secures a capital sum which is payable only on death or only on death occurring after the attainment of a specified age not exceeding 16, that capital sum must be not less than 75 per cent. of the total premiums which would be payable if the death of the relevant beneficiary occurred at the age of 75.
- (6) Where the policy secures a capital sum which is payable only on survival for a specified term, that capital sum must be not less than 75 per cent. of the total premiums which would be payable if the policy were to run for that term.
- (7) Where the policy secures a capital sum which is payable on survival for a specified term or on earlier death, or on earlier death or disability (including a policy securing the sum on death only if occurring after the attainment of a specified age not exceeding 16), the capital sum payable on death, whenever that event occurs, must

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be not less than 75 per cent. of the total premiums which would be payable if the policy were to run for that term, except that if, at the beginning of that term, the age of the relevant beneficiary exceeds 55, that capital sum may, for each year of the excess, be less by 2 per cent. of that total than 75 per cent. thereof.

- (8) For the purposes of sub-paragraphs (5) to (7) above—
- (a) “the relevant beneficiary” means—
 - (i) if the capital sum concerned is payable on the death of the first to die of two persons, the older of them;
 - (ii) if that capital sum is payable on the death of the survivor of two persons, the younger of them; and
 - (iii) in any other case, the person on whose death that capital sum is payable; and
 - (b) in determining the total premiums payable in any circumstances—
 - (i) where those premiums are payable otherwise than annually, and the policy is issued by a new society, there shall be disregarded an amount equal to 10 per cent. of those premiums;
 - (ii) where the policy is issued by a society other than a new society, there shall be disregarded an amount equal to £10 for each year for which account is taken of those premiums; and
 - (iii) so much of any premium as is charged on the ground that an exceptional risk of death is involved shall be disregarded; and
 - (c) in determining the capital sum payable on any event, there shall be disregarded any provision of the policy under which, on the ground referred to in paragraph (b)(iii) above, any sum may become chargeable as a debt against that capital sum.
- (9) If the policy does not secure a capital sum in the event of death occurring before the age of 16 or some lower age, it must not provide for the payment in that event of an amount exceeding the total premiums previously paid under it.
- (10) References in this paragraph to a capital sum payable on any event include references to a capital sum or series of capital sums payable by reason of that event, but where what is so payable is either an amount consisting of one sum or an amount made up of two or more sums, any reference in sub-paragraphs (5) to (7) above to 75 per cent. of the total premiums payable in any circumstances shall be compared with the smaller or smallest amount so payable; and for the purposes of those sub-paragraphs a policy secures a capital sum payable either on death or on disability notwithstanding that the amount may vary with the event.
- (11) For the purposes of sub-paragraphs (5) to (7) and (10) above, in the case of a policy which provides for any such payments as are referred to in sub-paragraph (3) above (“interim payments”), the amount of the capital sum which is payable on any event shall be taken to be increased—
- (a) in the case of a policy which secures such a capital sum as is referred to in sub-paragraph (5) above, by the total of the interim payments which would be payable if the death of the relevant beneficiary (within the meaning of that sub-paragraph) occurred at the age of 75; and
 - (b) in the case of a policy which secures such a capital sum as is referred to in sub-paragraph (6) or (7) above, by the total of the interim payments which would be payable if the policy were to run for the specified term referred to in that sub-paragraph.