Friendly Societies Act 1992

1992 CHAPTER 40

PART V

REGULATION OF FRIENDLY SOCIETIES' BUSINESS

Margins of solvency

48 Margins of solvency in relation to insurance business of certain societies

(1) This section applies to a friendly society which—

(a) carries on long term business in the United Kingdom and falls within subsection (2) of section 37 above;

(b) carries on general business in the United Kingdom and falls within subsection (3) of that section; or

(c) not being a society to which either of those subsections applies, carries on insurance business in the United Kingdom and is of any such description as may be prescribed by regulations.

(2) A society to which this section applies shall maintain a margin of solvency in respect of its insurance business of such amount as may be prescribed by or determined in accordance with regulations made for the purposes of this section.

(3) If such a society fails to comply with a requirement to maintain a margin of solvency, the society—

(a) shall at the request of the Commission submit to it a plan for the restoration of a sound financial position;

(b) shall propose modifications to the plan (or the plan as previously modified) if the Commission considers it inadequate;

(c) shall give effect to any plan accepted by the Commission as adequate.

(4) Where a friendly society carries on both long term and general business, subsection (2) above shall have effect as if the requirement to maintain a margin of solvency were a requirement to maintain separate margins in respect of each of those two kinds of business.

Status: *This is the original version (as it was originally enacted).*

(5) For the purposes of this Act a margin of solvency, in relation to a friendly society, is the excess of the value of the society's assets over the amount of its liabilities.

(6) Regulations under this section may—
- (a) make different provision with respect to societies of different descriptions;
- (b) prescribe different margins of solvency with respect to different descriptions of business carried on by societies;
- (c) prescribe the descriptions of assets or liabilities that are to be taken into account in determining whether a margin of solvency is being maintained; and
- (d) prescribe different criteria for determining whether a margin of solvency is being maintained by reference to the different descriptions of long term or general business which may be carried on by societies.

(7) Regulations under this section shall be made by the Commission with the consent of the Treasury.

49 Failure to maintain prescribed margin of solvency

(1) If the margin of solvency maintained by a friendly society in respect of its insurance business falls below such amount as may be prescribed by or determined in accordance with regulations made for the purposes of this section by the Commission with the consent of the Treasury, the society shall at the request of the Commission submit to it a short-term financial scheme.

(2) A friendly society that has submitted a scheme to the Commission under subsection (1) above shall propose modifications to the scheme (or the scheme as previously modified) if the Commission considers it inadequate, and shall give effect to any scheme accepted by it as adequate.

(3) Where a friendly society carries on both long term and general business, subsection (1) above shall have effect as if the reference to the margin of solvency maintained by the society were a reference to the margin of solvency maintained in respect of each of those two kinds of business.