These notes refer to the Finance Act 2009 (c.10) which received Royal Assent on 21 July 2009

FINANCE ACT 2009

EXPLANATORY NOTES

INTRODUCTION

Section 47: Equalisation Reserves for Lloyd's Corporate and Partnership Members

Background Note

6. Equalisation reserves are created by general insurers to cover claims they may be called upon to pay that arise from classes of business, for example property damage, that can give rise to intermittent but sometimes very large payments.

7. General insurance companies are required by the FSA to make these reserves under legislative rules designed to protect their capital base. When these rules were introduced, the equivalent rules governing the Lloyd’s insurance market were very different, and even now the unique structure of the Lloyd’s insurance market results in capital maintenance rules significantly different from those of general insurance companies.

8. However, over the years there has been convergence, and the availability of relief to general insurance companies but not to corporate and partnership members of Lloyd’s has increasingly been seen as anomalous and a disadvantage to the Lloyd’s market.

9. The section provides for a relief to corporate and partnership members of Lloyd’s broadly similar to that available to general insurance companies for amounts reflected in equalisation reserves.