
 STATUTORY INSTRUMENTS

1975 No. 1996

INSURANCE

The Insurance Companies (Accounts and Forms) (Amendment) Regulations 1975

Made - - - - 3rd December 1975

Laid before Parliament 9th December 1975

Coming into Operation 30th December 1975

The Secretary of State, in exercise of his powers under sections 13, 16, 17, 44 and 86 of the Insurance Companies Act 1974(a), hereby makes the following Regulations:

Citation and Commencement

1. These Regulations may be cited as the Insurance Companies (Accounts and Forms) (Amendment) Regulations 1975 and shall come into operation on 30th December 1975.

Interpretation

2.—(1) In these Regulations—

“the Act” means the Insurance Companies Act 1974;

“the principal Regulations” means the Insurance Companies (Accounts and Forms) Regulations 1968(b).

(2) The Interpretation Act 1889(c) shall apply for the interpretation of these Regulations as it applies for the interpretation of an Act of Parliament.

Application

3. These Regulations apply to the accounts of every insurance company to which the principal Regulations apply, being accounts prepared in respect of any financial year of the company ending on or after 31st December 1975.

Amendment of Regulation 2 of the principal Regulations

4. Regulation 2 of the principal Regulations is amended—

(a) in paragraph (1), by substituting for the words “The accounts” the words, “Subject to paragraph (3) below, the accounts”, and by deleting the proviso thereto;

(b) in paragraph (2)(i), by inserting immediately after “December 1968” the words “and in the case of any balance sheet heading, (or heading in a statement or report annexed) relating to assets other than the heading in the balance sheet which shows the total assets”;

(a) 1974 c. 49.

(b) S.I. 1968/1408 (1968 II, p. 4056).

(c) 1889 c. 63.

- (c) by inserting at the end thereof the following paragraph—
- “(3) The value of every asset of the company shall be determined in accordance with the Valuation Regulations 1974 and, save as otherwise provided in these Regulations, there shall be left out of account for the purposes of these Regulations—
- (a) any asset to which the Valuation Regulations 1974 do not apply by virtue of Regulation 3(2) thereof and,
- (b) any asset which is required to be left out of account for the purposes for which those Regulations apply;
- and any reference in these Regulations to the value or the amount of any asset of a company shall, unless the context otherwise requires, be construed as a reference to the value or (as the case may be) the amount of that asset as so determined:
- Provided that nothing in this paragraph shall apply in relation to the value of any asset to be shown in any form in Schedules 2 to 5 hereto.”

Amendment of Regulation 3 of the principal Regulations

5. Regulation 3 of the principal Regulations is amended—

- (a) in paragraph (a)—
- (i) by inserting after the words “company’s assets” the words “(including any asset referred to in Regulation 2(3)(a) above but not including any asset referred to in Regulation 2(3)(b) above)”;
- (ii) by substituting for all the words which appear after the words “balance sheet” the words “and that such value has been determined in accordance with the Valuation Regulations 1974 or otherwise determined in the case of assets to which those Regulations do not apply by virtue of Regulation 3(2) thereof.”;
- (b) in paragraph (b), by substituting for the words “market values” and “market value” wherever they appear therein, the words “values, as determined in accordance with the Valuation Regulations 1974 or otherwise determined in the case of assets to which those Regulations do not apply by virtue of Regulation 3(2) thereof.”;
- (c) in paragraph (c)(iii), by inserting after the words “company’s assets” the words “(including any asset referred to in Regulation 2(3)(a) above but not including any asset referred to in Regulation 2(3)(b) above)”.

Amendment of Regulation 6 of the principal Regulations

6. Regulation 6 of the principal Regulations is amended by substituting for all the words which appear after the words “signing the certificate” the words “the provisions of section 23 (and, where applicable, of any regulations thereunder) and of section 24 of the Act, and of any instrument setting up any long-term business fund have been complied with.”

Amendment of Regulation 18 of the principal Regulations

7. Paragraph (1) of Regulation 18 of the principal Regulations is amended by inserting therein, after the definition of “unit trust scheme”, the following definition—

“the Valuation Regulations 1974” means the Insurance Companies (Valuation of Assets) Regulations 1974(a);”.

Amendment of Schedule 1 to the principal Regulations

8. Schedule 1 to the principal Regulations is amended by renumbering paragraph 1 as paragraph 1(1) thereof and by inserting at the end thereof the following sub-paragraph—

“(2) Notwithstanding the provisions of Regulation 18 above, the words and expressions used in this Schedule shall, unless the context otherwise requires, have the meanings assigned to them in the Valuation Regulations 1974.”

Amendment of Part I of Schedule 1 to the principal Regulations

9. Part I of Schedule 1 to the principal Regulations is amended—

(a) by substituting for paragraph 3 the following paragraph—

“3. Where the amount of any liabilities shown in the balance sheet or in any statement or report annexed thereto includes an amount of indebtedness of the company (whether on account of a loan or otherwise) to any dependent company, in showing the amount of those liabilities such part of that amount as represents indebtedness to dependent companies shall be separately distinguished.”;

(b) by deleting paragraph 5;

(c) by substituting for sub-paragraph (1) of paragraph 10 the following sub-paragraph—

“(1) There shall be shown in tabular form in a statement or report annexed to the balance sheet the value of each of the following assets—

- (a) Land;
- (b) Fixed interest securities issued by, or guaranteed by, any government or public authority;
- (c) Other fixed interest securities (including debenture options) except those in dependent companies (which must be included under paragraphs (f) and/or (g) below):
 - (i) quoted,
 - (ii) unquoted debentures,
 - (iii) other unquoted;
- (d) Equity shares (including share options) except those in dependent companies (which must be included under paragraphs (f) and/or (g) below):
 - (i) quoted,
 - (ii) unquoted;
- (e) Holdings in unit trust schemes authorised for the purposes of the Prevention of Fraud (Investments) Act 1958(a) or the Prevention of Fraud (Investments) Act (Northern Ireland) 1940(b);
- (f) Investment in dependent companies which are insurance companies:
 - (i) value of any shares held,
 - (ii) debts, other than amounts which fall to be included under paragraph (k) below;

(a) 1958 c. 45.

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

- (g) Investment in dependent companies which are not insurance companies:
 - (i) value of any shares held,
 - (ii) debts, other than amounts which fall to be included under paragraph (k) below;
- (h) Loans secured by policies of insurance issued by the company;
- (i) Tax recoveries due from tax authorities;
- (j) Local authority and Building Society deposits and bank deposits and current accounts:
 - (i) current accounts, amounts on deposit for a fixed term of or on deposit and withdrawable after giving notice of, 12 months or less after the end of the financial year and certificates of deposit maturing during that period,
 - (ii) amounts on deposit for a fixed term of, or withdrawable only after giving notice of, more than 12 months after the end of the financial year;
- (k) Insurance debts, including those due from dependent companies, being—
 - (i) premium income in respect of direct insurance and facultative reinsurance contracts accepted not yet paid to the company by policyholders and intermediaries, less commission payable thereon;
 - (ii) net amounts due from ceding insurers and intermediaries under reinsurance treaties accepted;
 - (iii) net amounts due from reinsurers and intermediaries under reinsurance contracts ceded;
 - (iv) recoveries by way of salvage or from other insurers in respect of claims paid, other than recoveries under reinsurance contracts ceded;
- (l) Debts, other than those which fall under other headings of this sub-paragraph—
 - (i) due in 12 months or less from the end of the financial year, or which would become due if the company exercised any right to require repayment within that period,
 - (ii) other debts;
- (m) Shares in Building Societies and Industrial and Provident Societies;
- (n) Cash;
- (o) Other assets—
 - (i) Computer equipment;
 - (ii) Other office machinery, furniture, motor vehicles and other equipment;
 - (iii) Life interests, reversionary interests and other interests of the kind described in Regulation 12 of the Valuation Regulations 1974;
 - (iv) Liability of the company's shareholders to pay amounts on uncalled capital (within the limits allowed by Regulation 8 of the Valuation Regulations 1974);

- (p) Total of those linked assets to which the Valuation Regulations 1974 do not apply by virtue of Regulation 3(2) thereof:
 - (i) linked assets in internal linked funds;
 - (ii) other linked assets;
- (q) Aggregate of (i) assets valued in accordance with the Valuation Regulations 1974 (ie the total of paragraphs (a) to (o) above), and (ii) the assets at paragraph (p) above.”;
- (d) in sub-paragraph (2) of paragraph 10, by substituting for all the words which appear immediately before the words “maintains any separate long-term business” the words “Where a company, which at anytime in the financial year carried on long-term business,”;
- (e) by deleting sub-paragraph (3) of paragraph 10.

Amendment of Part II of Schedule 1 to the principal Regulations

10. Part II of Schedule 1 to the principal Regulations is amended—

- (a) by substituting for sub-paragraphs (c) (d) and (e) of paragraph 11(1) the following sub-paragraphs—
 - “(c) the amounts due to policyholders and intermediaries in respect of direct insurance and facultative reinsurance contracts accepted, excluding those which fall to be included in paragraph 11(1)(a) and (b) above, or in paragraphs 14(1)(i) or 15(a) and (b) below;
 - (d) net amounts due to ceding insurers and intermediaries under reinsurance treaties accepted excluding those which fall to be included in paragraph 11(1)(a) and (b) above, or in paragraphs 14(1)(i) or 15(a) and (b) below;
 - (e) net amounts due to reinsurers and intermediaries under reinsurance contracts ceded.”;
- (b) by deleting sub-paragraphs (a) to (g) of paragraph 12(1), and by substituting for sub-paragraphs (h) and (i) of that paragraph the following sub-paragraphs—
 - “(h) the amount to be shown under paragraph 10(1)(q) above;
 - (i) the amount of assets not included in the amount shown at heading (h) classified under appropriate headings.”;
- (c) by deleting sub-paragraph (2) of paragraph 12.

Amendment of Part III of Schedule 1 to the principal Regulations

11. Part III of Schedule 1 to the principal Regulations is amended by renumbering paragraph 14 as paragraph 14(1) and by inserting at the end thereof the following sub-paragraph—

- “(2) Each of the assets and liabilities of a company which, in accordance with the provisions of section 23 of the Act and (where applicable) of any regulations made under that section, is attributable to its long-term business shall be shown—
 - (a) as separate entries in the statement or report annexed to the balance sheet as required by paragraph 10(1) above; and
 - (b) as separate entries in the balance sheet and any other statement or report annexed thereto.”

Amendment of Part IV of Schedule 1 to the principal Regulations

12. Part IV of Schedule 1 to the principal Regulations is amended by substituting for all the words which appear after the words "company's general business" in paragraph 15 and immediately before sub-paragraph (a) thereof, the words "The requirements of paragraph 14(2) above shall apply in relation to the company's long-term business and the following amounts in relation to that business shall also be shown under separate headings, that is to say—".

Amendment of Part V of Schedule 1 to the principal Regulations

13. Part V of Schedule 1 to the principal Regulations is amended by substituting for the words "The amount" in paragraph 18, the words "Subject to paragraph 4 of the Notes to Part I of Schedule 2, the amount".

Amendment of Schedule 2 to the principal Regulations

14. Part I of Schedule 2 to the principal Regulations is amended by inserting under the heading "Notes", immediately after paragraph 3, the following paragraphs—

"4. All transactions relating to the company's long-term business must be shown in this Account.

5. Where a company voluntarily chooses to allocate to the long term business the whole or any part of investment income and/or capital gains (or capital gains less losses not resulting in a negative balance) arising from assets not attributable to its long term business (which would probably be shown otherwise in the profit and loss account), the amount(s) in question must be shown, separately and appropriately described under "Other income" in this Account.

6. *Expenses of Management.* Those relating to the long term business must be shown in this Account (item 8). Those relating to the company's general business or other business cannot, by virtue of section 24(1) of the Insurance Companies Act 1974, be paid out of the long term funds and must therefore be shown in the general business revenue account or the profit and loss account. Where the company acts as in paragraph 5 above, it cannot by virtue of section 24(1) meet the management expenses associated with amounts voluntarily allocated (as referred to in paragraph 5 above (from the long term funds. Such an arrangement could only be affected by showing both such income and the related expenses in the profit and loss account and transferring the balance of the income to this Account."

Stanley Clinton Davis,
Parliamentary Under-Secretary of State,
Department of Trade.

3rd December 1975.

EXPLANATORY NOTE

(This Note is not part of the Regulations.)

These Regulations amend the Insurance Companies (Accounts and Forms) Regulations 1968 to require insurance companies to reflect in accounts submitted thereunder, in respect of financial years ending on or after 31 December 1975, the value of their assets as determined in accordance with the Insurance Companies (Valuation of Assets) Regulations 1974 and the identification in accordance with the provisions of the Insurance Companies Act 1974, of their assets and liabilities attributable to long term business.

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