
STATUTORY INSTRUMENTS

1993 No. 98

The Friendly Societies (Insurance Business) Regulations 1993

PART II

MARGINS OF SOLVENCY

Implicit items: future surpluses

9.—(1) The implicit item relating to future surpluses may be valued at not more than 50 per cent of the full amount of future surpluses.

(2) For the purposes of paragraph (1) above, the full amount of future surpluses shall be obtained by multiplying the estimated annual surplus by a factor which shall as nearly as may be represent the average number of years remaining to run on policies, but shall, if it exceeds 10, be reduced to 10.

(3) For the purposes of paragraph (2) above—

(a) the estimated annual surplus shall be taken to be one-fifth of the surplus (“the periodic surplus”) made in long term business over a period of five years (“the relevant period”) ending on the last day of the most recent completed financial year during which a valuation for the purposes of section 46 of the 1992 Act or regulation 11 of the 1987 Regulations has been carried out, substantial items of an exceptional nature being excluded, and

(b) the average number of years remaining to run on policies shall be calculated—

(i) by multiplying the number of years to run on each policy by the actuarial value of the benefits payable under the policy, adding together the products so obtained and dividing the total by the aggregate of the actuarial values of the benefits payable under all the policies, or

(ii) by an approximation to this method of calculation suitable to the circumstances of the case, including, where appropriate, an approximation involving the grouping of contracts,

appropriate allowance being made in either case for premature termination of contracts.

(4) For the purposes of paragraph (3)(a) above—

(a) where a valuation under section 46 of the 1992 Act or regulation 11 of the 1987 Regulations has been carried out annually in relation to the relevant period, the annual surplus made in long term business for any particular year of the relevant period shall be taken to be the surplus (if any) arising in the long term business funds since the last such valuation, and the periodic surplus shall be taken to be the aggregate of those annual surpluses less any deficiencies in the long term business funds during that period;

(b) where a society has carried on long term business throughout the relevant period but valuations under section 46 of the 1992 Act or regulation 11 of the 1987 Regulations have not been made annually in that period, the periodic surplus shall be taken to be the aggregate of surpluses arising in the long term business funds since the last valuation preceding the relevant period less any deficiencies in the long term business funds since the last valuation, except that the surplus or deficiency arising in the period ending with

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the first valuation within the relevant period shall be proportionately reduced to allow for any period of time falling outside the relevant period;

- (c) where a society has not carried on long term business throughout the relevant period, the periodic surplus shall be taken to be the aggregate of any surpluses arising in the long term business funds during that part of the relevant period for which long term business was carried on less any deficiencies in the long term business funds during that part of that period.