
STATUTORY INSTRUMENTS

1994 No. 1516

The Insurance Companies Regulations 1994

PART IV

MARGINS OF SOLVENCY

Margins of solvency: determination

17.—(1) Subject to paragraphs (2) to (5) below, the margin of solvency to be maintained by an insurance company to which Part II of the Act applies shall be determined—

- (a) as regards long term business, in accordance with regulations 18 to 21 below, and
- (b) as regards general business, by taking the greater of the two sums resulting from the application of the two methods of calculation set out in Schedules 3 and 4 respectively.

(2) Where an insurance company is required to maintain a United Kingdom margin of solvency or an EEA margin of solvency—

- (a) the United Kingdom margin of solvency shall be determined by applying paragraph (1) above, but only to business carried on in the United Kingdom, and
- (b) the EEA margin of solvency shall be determined by applying paragraph (1) above, but only to business carried on in the EEA States taken together.

(3) For a contract to which section 1(3) of the Act applies, the required margin of solvency shall be determined by taking the aggregate of the results arrived at by applying—

- (a) in the case of so much of the contract as is within any class of long term business, the appropriate method prescribed by this Part of these Regulations for that class, and
- (b) in the case of so much of the contract as is within general business class 1 or 2, the method of calculation set out in Schedule 3 (excluding paragraphs 7, 8 and 9).

(4) Where an insurance company carries on long term business and owing to the nature of that business more than one margin of solvency is produced in respect of that business by the operation of this Part of these Regulations, the margins in question shall be aggregated as regards the company in order to arrive at the company's required margin of solvency for long term business.

(5) Where an insurance company carries on both long term and general business and is accordingly required to maintain separate margins of solvency in respect of the two kinds of business—

- (a) these Regulations shall apply for determining the margin of solvency for each kind of business separately, and
- (b) assets other than those representing the fund or funds maintained by the company in respect of its long term business, if they are not included among the assets covering the liabilities and the margin of solvency relating to the company's general business, may be included among the assets taken into account in covering the liabilities and the margin of solvency for the company's long term business.