
STATUTORY INSTRUMENTS

1994 No. 1981

The Friendly Societies (Insurance Business) Regulations 1994

PART IV

VALUATION OF ASSETS

Interpretation: Part IV

19.—(1) In this Part of these Regulations, unless the context otherwise requires—

“approved counterparty” means any of the following—

- (a) an approved credit institution;
- (b) a person who is exempt pursuant to section 43 of the Financial Services Act 1986⁽¹⁾; or
- (c) a person who is an authorised person within the meaning of section 207(1) of the Financial Services Act 1986 in respect of investment business of a kind which includes entering into unlisted derivative contracts as principal;

“approved credit institution” means an institution recognised or permitted under the law of an EEA State to carry on any of the activities set out in Annex 1 to Council Directive [89/646/EEC](#) of 15 December 1989 on the co-ordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of credit institutions⁽²⁾;

“approved financial institution” means any of the following—

- the central bank of an EEA State,
- the International Bank for Reconstruction and Development;
- the International Finance Corporation;
- the International Monetary Fund;
- the Inter-American Development Bank;
- the African Development Bank;
- the Asian Development Bank;
- the Caribbean Development Bank;
- the European Investment Bank;
- the European Community;
- the European Atomic Energy Community; and
- the European Coal and Steel Community;

“approved investment firm” means an investment firm as defined in article 2 of Council Directive [93/22/EEC](#) of 10 May 1993 on investment services in the securities field⁽³⁾;

⁽¹⁾ 1986 c. 60.

⁽²⁾ O.J. No. L386, 31.12.89, p.1.

⁽³⁾ O.J. No. L141, 11.6.93, p.27.

“approved securities” means any of the following—

- (a) any securities issued or guaranteed by, or the repayment of the principal of which, or the interest on which is guaranteed by, and any loans to or deposits with, any of the following, namely, any government, public or local authority or nationalised industry or undertaking, which belongs to Zone A as defined in Council Directive 89/647/EEC of 18 December 1989 on a solvency ratio for credit institutions⁽⁴⁾; and
- (b) any loan to, or deposit with, an approved financial institution;

“asset” includes part of an asset;

“assignment” includes an assignment;

“building society” means a building society within the meaning of the Building Societies Act 1986⁽⁵⁾;

“company” includes any body corporate;

“contract for differences” means a contract which falls within paragraph 9 of Part I of Schedule 1 to the Financial Services Act 1986⁽⁶⁾;

“debenture” includes debenture stock and bonds, whether constituting a charge on assets or not, and loan stock or notes;

“debt” includes an obligation to pay a sum of money under a negotiable instrument;

“derivative contract” means a contract for differences, a futures contract or an option;

“enactment” includes an enactment of the Parliament of Northern Ireland;

“equity share” means a share of equity share capital;

“equity share capital”, in relation to a company, means its issued share capital excluding any part thereof which, neither as respects dividends nor as respects capital, carries any right to participate beyond a specified amount in a distribution;

“fixed interest securities” means securities which under their terms of issue provide for fixed amounts of interest;

“futures contract” means a contract which falls within paragraph 8 of Part I of Schedule 1 to the Financial Services Act 1986;

“general business amount” has the meaning assigned to it in regulation 32(9) below;

“general business assets” and “general business liabilities” mean respectively assets of a society or insurance company which are, for the time being, identified as representing the general business fund or funds maintained by that body in respect of its general business and liabilities of the body which are attributable to its general business;

“general premium income” means, in relation to any body in any year, the net amount, after deduction of any premiums payable for reinsurance, of the premiums receivable by the body in that year in respect of all insurance business other than long term business;

“index linked benefits” means benefits—

- (a) provided for under any contract the effecting of which constitutes the carrying on of ordinary long term business; and
- (b) determined by reference to fluctuations in any index of the value of property (whether specified in the contract or not);

⁽⁴⁾ O.J. No. L386, 30.12.89, p.14.

⁽⁵⁾ 1986 c. 53.

⁽⁶⁾ 1986 c. 60.

“industrial and provident society” means any society registered (or deemed to be registered) under the Industrial and Provident Societies Act 1965(7) or the Industrial and Provident Societies Act (Northern Ireland) 1969(8);

“insurance liabilities” means, in relation to a society any debt due from, or other liabilities of the society, under any contract of insurance to which it is party;

“intermediary” means a person who in the course of any business or profession invites other persons to make offers or proposals or to take other steps with a view to entering into contracts of insurance with a society, other than a person who only publishes such invitations on behalf of, or to the order of, some other person;

“linked assets” means, in relation to a society, long term business assets of the society which are, for the time being, identified in the records of the society as being assets by reference to the value of which property linked benefits are to be determined;

“listed” means, in relation to an investment—

- (a) that there has been granted and not withdrawn a listing in respect of that investment on any stock exchange in a member State which is a stock exchange within the meaning of the law of that member State and that dealings in the investment are effected regularly on such stock exchange; or
- (b) that dealings in that investment are effected regularly on a regulated market;

and “unlisted” shall be construed accordingly;

“long term business amount” has the meaning assigned to it in regulation 32(9) below;

“long term business assets” and “long term business liabilities” mean respectively assets of a society or insurance company which are, for the time being, identified as representing the long term business fund or funds maintained by that body in respect of its long term business and liabilities of the body which are attributable to its long term business;

“middle market quotation” means—

- (a) in relation to an investment for which two prices are quoted in the official list published for the relevant market, the average of the two prices so quoted for the relevant date or, if no official list has been published for that day, for the most recent day prior to that day for which the official list has been published; and
- (b) in relation to an investment for which one price is quoted in the official list published for the relevant market, the price so quoted for the relevant date or, if no official list has been published for that day, for the most recent day prior to that day for which the official list has been published; and
- (c) in any other case, the nearest equivalent to the average referred to in paragraph (a) above which is published or can be reasonably ascertained from the information which is published;

“option” means an option which falls within paragraph 7 of Part I of Schedule 1 to the Financial Services Act 1986(9) or a warrant;

“price earnings ratio” means the price earnings ratio (net) estimated in respect of the non-financial index of the Financial Times-Stock Exchange-Actuaries Share Indices jointly compiled by the Financial Times, the Stock Exchange, the Institute of Actuaries and the Faculty of Actuaries;

(7) 1965 c. 12.
(8) 1969 c. 24 (N.I.).
(9) 1986 c. 60.

“proper valuation” means, in relation to land, a valuation made by a qualified valuer not more than three years before the relevant date which determined the amount which would be realised at the time of the valuation on an open market sale of the land free from any mortgage or charge;

“property linked benefits” means benefits other than index linked benefits—

- (a) provided for under any contract the effecting of which constitutes the carrying on of ordinary long term business; and
- (b) determined by reference to the value of, or income from, property of any description (whether specified in the contract or not);

“qualified valuer”, in relation to any particular type of land in any particular area, means a person who is a fellow or professional associate of the Royal Institution of Chartered Surveyors or a fellow or associate of the Incorporated Society of Valuers and Auctioneers or a fellow or associate of the Rating and Valuation Association and either—

- (a) has knowledge of and experience in the valuation of that particular type of land in that particular area; or
- (b) has knowledge of and experience in the valuation of land and has taken advice from a valuer who he is satisfied has knowledge of and experience in the valuation of that particular type of land in that particular area;

“regulated institution” means any of the following—

- (a) an EC company, a UK company or an EFTA company within the meaning of the 1982 Act;
- (b) an approved credit institution;
- (c) a friendly society which is authorised to carry on insurance business; and
- (d) an approved investment firm;

“regulated market” means a market which is characterised by—

- (a) regular operation;
- (b) the fact that regulations issued or approved by the appropriate authority of the state where the market is situated—
- (c) define the conditions for the operation of and access to the market;
- (ii) define the conditions to be satisfied by a financial instrument in order for it to be effectively dealt in on the market; and
- (iii) require compliance with reporting and transparency requirements comparable to those laid down in articles 20 and 21 of the Council Directive [93/22/EEC](#) of 10 May 1993 on investment services in the securities field⁽¹⁰⁾; and
- (f) in the case of a market situated outside the European Community, the fact that the financial instruments dealt in are of a quality comparable to those in a regulated market in the United Kingdom;

“relevant date” means, in relation to the valuation of any asset for any purpose for which this Part of these Regulations applies, the date when the asset falls to be valued for that purpose;

“securities” includes shares, debentures, Treasury Bills, Tax Reserve Certificates and Certificates of Tax Deposit;

“settlement date” means any date on which the fulfilment of an obligation under a derivative contract is or may be required;

“share” includes stock;

(10) O.J. No. L141, 11.6.93, p.27.

“stock lending transaction” means an agreement under which title to securities is transferred from one party to the agreement, described in the agreement as the lender, to another, described as the borrower, on terms which provide for redelivery of identical securities from the borrower to the lender on demand or at an agreed date;

“Talisman short term certificate” means a short term certificate provided by the Stock Exchange to Talisman trading account holders which has been endorsed by such account holders and passed to lenders as security under stock lending transactions;

“Treasury Bills” includes bills issued by Her Majesty’s Government in the United Kingdom and Northern Ireland Treasury Bills.

“warrant” means an instrument which falls within paragraph 4 of Part I of Schedule 1 to the Financial Services Act 1986.

- (2) For the purposes of these Regulations, a body is a dependant of a society if it is—
- (a) a subsidiary of that society; or
 - (b) a body jointly controlled by that society and another person, within the meaning of section 13 of the 1992 Act.
- (3) For the purposes of these Regulations, a debt owed to a society shall be regarded as being secured only to the extent that—
- (a) it is a debt in respect of the full amount of which a letter of credit has been established with an approved credit institution; or
 - (b) it is a debt the payment in full of which is guaranteed by an approved credit institution; or
 - (c) it is fully secured by a Talisman short term certificate; or
 - (d) it is fully secured on an asset or assets for the valuation of which provision is made in this Part of these Regulations; and—
 - (i) the value of the asset or assets providing the security (after deducting reasonable expenses of sale) is sufficient to enable the debt to be discharged in full; and
 - (ii) subject to paragraph (4) below, the value of the asset or assets providing the security for the debt when added to the aggregate exposure (as defined in regulation 32(3)) to assets of the same descriptions does not exceed the maximum admissible value (as defined in regulation 32(4)) for assets of that description; and
 - (iii) there is no other obligation secured on the asset or assets which has priority to or ranks equally with the debt.
- (4) A debt arising under a stock lending transaction shall not be deemed to be unsecured by reason only that the condition set out in subparagraph (3)(d)(ii) above is not satisfied if the total value of the assets providing security for the debt is not dependent on fluctuations in the value of any individual asset.