
STATUTORY INSTRUMENTS

2000 No. 1700

FRIENDLY SOCIETIES

The Friendly Societies (Insurance Business) (Amendment) Regulations 2000

<i>Made</i>	- - - -	<i>28th June 2000</i>
<i>Laid before Parliament</i>		<i>30th June 2000</i>
<i>Coming into force</i>	- -	<i>1st August 2000</i>

The Friendly Societies Commission, with the consent of the Treasury, in exercise of the powers conferred by sections 45 and 121 of the Friendly Societies Act 1992⁽¹⁾, hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Friendly Societies (Insurance Business) (Amendment) Regulations 2000 and shall come into force on 1st August 2000.

Amendment of the 1994 Regulations

2. The Friendly Societies (Insurance Business) Regulations 1994⁽²⁾ shall be amended as follows:

(a) in regulation 38 (long term liabilities), the following sub-paragraph shall be added at the end of paragraph (3):

“(f) discretionary charges and deductions, in so far as they do not exceed the reasonable expectations of policyholders.”;

(b) in regulation 41 (valuation of future premiums)—

(i) in paragraph (1), after “under which”, there shall be inserted:

“the policyholder is eligible to participate in any established surplus and”;

(ii) in paragraph (2), for the words “it shall be assumed that” to the end there shall be substituted:

“one of the following assumptions shall be made, namely that—

(a) the change from the time it occurred was provided for in the contract when it was made; or

(1) 1992 c. 40.

(2) S.I. 1994/1981. Relevant amending instruments are S.I.s 1996/3008, 1997/966, 1997/2849 and 1998/3034.

- (b) the terms of the contract are those which apply from the date of the change except that a single premium is payable, at the date of the change, of an amount equal to the liability under the policy immediately before the change, calculated on a basis consistent with this Part and with the premiums actually payable from the date of the change; or
 - (c) the contract is in two parts, the first of which is for the benefits purchased by the actual premiums payable from the date of the change under the society's scales of premiums at that date, and the second of which is for all other benefits under the policy for which no premiums are payable after that date.”;
- (iii) in paragraph (3), after “long term contract”, there shall be inserted:

“the policyholder is eligible to participate in any established surplus, and”;
- (iv) after paragraph (4), the following paragraph shall be added:

“(5) In this regulation, “established surplus” has the same meaning as in regulation 39(7) above.”;
- (c) in regulation 43 (rates of interest), in paragraph (9)(a)—
 - (i) in paragraph (ii), for “6” in both places where it occurs, there shall be substituted “3”, and for one “quarter” there shall be substituted “two thirds”;
 - (ii) in paragraph (iii), for “7.5” there shall be substituted “6.5”;
 - (iii) the words “medium coupon” shall be omitted; and
- (d) the following paragraphs shall be added at the end of regulation 46 (options):
 - (3) Where a contract includes an option whereby the policyholder could secure a cash payment, but paragraph (2) above does not apply, the provision for that option shall at all times be such as to ensure that, if the assumptions adopted for the valuation of the contract are fulfilled in practice—
 - (a) the resulting value (and therefore the provision) is not less than the amount required to provide for the payment which would have to be made if the option were exercised; and
 - (b) the payment when it falls due is covered from resources arising solely from the contract and from the assets covering the amount of the liability determined at the current valuation.
 - (4) For the purposes of paragraph (3) above, the amount of a cash payment secured by the exercise of an option shall be assumed to be—
 - (a) in the case of an accumulating with-profits policy, the lower of—
 - (i) the amount which would reasonably be expected to be paid if the option were exercised, having regard to the representations of the society; and
 - (ii) that amount, disregarding all discretionary adjustments; and
 - (b) in the case of any other policy to which this regulation applies, the amount which would reasonably be expected to be paid if the option were exercised, having regard to the representations of the society, without taking into account any expectations regarding future distributions of profits or the granting of discretionary additions in respect of an established surplus or in anticipation thereof.
 - (5) In this regulation—
 - (a) “accumulating with-profits policy” means a with-profits policy which has a readily identifiable current benefit, whether or not this benefit is currently

realisable, which is adjusted by an amount explicitly related to the amount of any premium payment and to which additional benefits are added in respect of participation in profits by additions directly related to the current benefit, or a policy which has similar characteristics;

- (b) “established surplus” has the same meaning as in regulation 39(7) above; and
- (c) “with-profits policy” means a contract falling within a class of long term business as specified under Head A of Schedule 2 to the 1992 Act which is eligible to participate in any part of any established surplus.”.

In witness whereof the common seal of the Friendly Societies Commission is hereunto fixed and is authenticated by me a person authorised under paragraph 13 of Schedule 1 to the Friendly Societies Act 1992 on 26th June 2000.

L.S.

B. F. D'Silva

We consent.

*Bob Ainsworth
Clive Betts*

Two of the Lords Commissioners of Her
Majesty's Treasury

28th June 2000

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend Part V of the Friendly Societies (Insurance Business) Regulations 1994 (“the 1994 Regulations”) which is concerned with the determination of a friendly society’s liabilities, this being relevant to the margin of solvency required to be maintained by a society in accordance with section 48 of the Friendly Societies Act 1992.

Regulation 2 amends the 1994 Regulations and aligns them with the regulations applicable to insurance companies. Paragraph (1) makes a clarificatory amendment to regulation 38(3). Paragraph (2) makes changes to regulation 41, to permit the use of a gross premium method of valuation where the insured is not eligible to participate in surplus, and to offer alternative methods of valuing premiums where the terms of an insurance contract are changed. Paragraph (3) amends regulation 43(9), with respect to assumptions to be made about the yields of assets, and adjusts a reference to take account of changes to the compilation of the indices referred to. Paragraph (4) amends regulation 46, so as to reflect the change made by paragraph (1) to regulation 38.