



Insurance Companies Act 1974

1974 CHAPTER 49

PART II

REGULATION OF INSURANCE COMPANIES

Insolvency and winding up

44 Margin of solvency for general business

- (1) An insurance company to which this Part of this Act applies, being a company which carries on (whether within or outside Great Britain) general business, shall be deemed for the purposes of sections 222 and 399 of the Companies Act 1948 (winding up of company unable to pay its debts) to be unable to pay its debts if—
- (a) at any time in its first financial year the value of its assets does not exceed the amount of its liabilities by, £50,000; or
 - (b) at any time after the expiration of that year the value of its assets does not exceed the amount of its liabilities by the amount which is the relevant amount for the purposes of section 4(1)(a) above ;
- and the provisions of this Act as to winding up shall have effect accordingly.
- (2) For the purposes of this section—
- (a) in computing the amount of the liabilities of an insurance company, all contingent and prospective liabilities shall be taken into account but not liabilities in respect of share capital; and
 - (b) the general premium income of an insurance company in any year shall be taken to be the net amount, after deduction of any premiums paid by the company for reinsurance, of the premiums received by the company in that year in respect of insurance business other than long term business.
- (3) For the purposes of this section the value of any assets and the amount of any liabilities shall, subject to subsections (4) and (5) below, be determined in accordance with any applicable valuation regulations, and subsection (2)(a) above shall have effect subject to any such regulations made by virtue of section 78(2) below.

*Status: This is the original version (as it was originally enacted).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

- (4) In the case of an insurance company which carries on long term business as well as general business the amount of the liabilities of its long term business at any time shall, for the purposes of this section, be taken to be—
- (a) an amount equal to the total amount at that time standing to the credit of the fund or funds maintained by the company in respect of its long term business ;
or
 - (b) the amount of those liabilities at that time as determined in accordance with any applicable valuation regulations,
- whichever is the greater.
- (5) Regulations made for the purposes of this section may require that, in every balance sheet prepared under section 13 above by an insurance company carrying on general business, there shall be included a certificate—
- (a) in such form and signed by such persons as may be prescribed by the regulations ; and
 - (b) containing such a statement with respect to the assets and liabilities of the company as may be so prescribed;
- and if any such company fails to comply with the regulations so made the value of its assets shall, in any proceedings under this section for the winding up of the company, be deemed, until the contrary is proved, not to exceed the amount of its liabilities by the amount required by subsection (1) above.
- (6) Nothing in this section shall be taken as affecting the manner in which, on a winding up, any assets or liabilities are required to be dealt with whether by virtue of section 47 below or otherwise.