



Insurance Companies Act 1982

1982 CHAPTER 50

PART II

REGULATION OF INSURANCE COMPANIES

Financial resources

32 Margins of solvency

- (1) Every insurance company to which this Part of this Act applies—
 - (a) whose head office is in the United Kingdom, or
 - (b) whose business in the United Kingdom is restricted to reinsurance,shall maintain a margin of solvency of such amount as may be prescribed by or determined in accordance with regulations made for the purposes of this section.
- (2) Subject to subsection (3) below, every insurance company to which this Part of this Act applies whose head office is not in a member State shall maintain—
 - (a) a margin of solvency, and
 - (b) a United Kingdom margin of solvency,of such amounts as may be prescribed by or determined in accordance with regulations made for the purposes of this section.
- (3) Subsection (2) above shall not apply to an insurance company if its business in the United Kingdom is restricted to reinsurance or if section 9(2) above applies to it; but an insurance company that has made a deposit in the United Kingdom in accordance with section 9(2)(b) above shall maintain—
 - (a) a margin of solvency, and
 - (b) a Community margin of solvency,of such amounts as may be prescribed by or determined in accordance with regulations made for the purposes of this section.
- (4) An insurance company that fails to comply with subsection (1), (2) or (3) above-

Status: This is the original version (as it was originally enacted).

- (a) shall at the request of the Secretary of State submit to him a plan for the restoration of a sound financial position;
 - (b) shall propose modifications to the plan (or the plan as previously modified) if the Secretary of State considers it inadequate;
 - (c) shall give effect to any plan accepted by the Secretary of State as adequate.
- (5) For the purposes of this Act—
- (a) the margin of solvency of an insurance company is the excess of the value of its assets over the amount of its liabilities, that value and amount being determined in accordance with any applicable valuation regulations;
 - (b) the United Kingdom margin of solvency of an insurance company is its margin of solvency computed by reference to the assets and liabilities of the business carried on by the company in the United Kingdom;
 - (c) the Community margin of solvency of an insurance company is its margin of solvency computed by reference to the assets and liabilities of the business carried on by the company in member States (taken together).
- (6) In the case of an insurance company that carries on both long term and general business, subsections (1), (2) and (3) above shall have effect as if—
- (a) the requirements to maintain a margin of solvency, and
 - (b) where the company carries on both kinds of business in the United Kingdom, the requirement to maintain a United Kingdom margin of solvency, and
 - (c) where the company carries on both kinds of business in member States (taken together), the requirement to maintain a Community margin of solvency,
- were requirements to maintain separate margins in respect of the two kinds of business (and accordingly as if the references in subsection (5) to assets and liabilities were references to assets and liabilities relating to the kind of business in question).

33 Failure to maintain minimum margin

- (1) If—
- (a) the margin of solvency of an insurance company to which section 32(1) above applies, or
 - (b) the margin of solvency or United Kingdom margin of solvency of an insurance company to which section 32(2) above applies, or
 - (c) the margin of solvency or Community margin of solvency of an insurance company to which section 32(3) above applies,
- falls below such amount as may be prescribed by or determined in accordance with regulations made for the purposes of this section, the company shall at the request of the Secretary of State submit to him a short-term financial scheme.
- (2) An insurance company that has submitted a scheme to the Secretary of State under subsection (1) above shall propose modifications to the scheme (or the scheme as previously modified) if the Secretary of State considers it inadequate, and shall give effect to any scheme accepted by him as adequate.
- (3) Where a company is required by virtue of section 32(6) above to maintain separate margins in respect of long term and general business, subsection (1) above shall have effect as if any reference to the margin of solvency, the United Kingdom margin of solvency or the Community margin of solvency of the company were a reference to the margin in respect of either of the two kinds of business.

34 Companies supervised in other member States

- (1) An insurance company to which this Part of this Act applies—
 - (a) whose head office is in a member State other than the United Kingdom, or
 - (b) which has in accordance with section 9(2) above made a deposit in such a member State,shall secure that the value of the assets of the business carried on by it in the United Kingdom does not fall below the amount of the liabilities of that business, that value and amount being determined in accordance with any applicable valuation regulations.
- (2) In the case of a company that carries on in the United Kingdom both long term and general business subsection (1) above shall have effect separately in relation to the assets and liabilities of the two kinds of business.

35 Form and situation of assets

- (1) Regulations may make provision for securing that, in such circumstances and to such extent as may be prescribed, the assets of an insurance company to which this Part of this Act applies are maintained in such places as may be prescribed and the nature of the assets is appropriate in relation to the currency in which the liabilities of the company are or may be required to be met.
- (2) Regulations made for the purposes specified in subsection (1) above shall not have effect in relation to the assets of an insurance company whose head office is in a member State so far as their value exceeds the amount of the liabilities of the business carried on by the company in the United Kingdom, that value and amount being determined in accordance with any applicable valuation regulations.