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SCHEDULES

TENTH SCHEDULE

PROVISIONS AS TO ARRANGEMENTS FOR SPECIAL RESERVE FUNDS IN RELATION TO LLOYD'S AND OTHER UNDERWRITERS

Setting up and management of, and payments into and out of, special reserve funds

- 4 The arrangements must provide for the setting up, in relation to the underwriter, of a special reserve fund vested in trustees who have control over it and power to invest the capital thereof and to vary the investments :

Provided that where part of the business of the underwriter is carried on through an underwriting agent and part thereof is not so carried on, or where different parts of his business are carried on through different underwriting agents, the arrangements may provide for separate special reserve funds being constituted in relation to the different parts of his business.

- 5 The arrangements must provide for the income arising from the investments of the underwriter's special reserve fund or funds being held on trust for the underwriter, his personal representatives or assigns.

- 6 (1) The arrangements must be such as to secure that if, for an underwriting year corresponding to a year of assessment to which this paragraph applies, the underwriter makes a profit from his business, he has the right to make, into his special reserve fund or funds, payments, the gross amount of which is not in the aggregate greater than one thousand five hundred pounds or one-quarter of that profit, whichever is the less :

Provided that—

- (a) no such payment shall be made after the expiration of six months from the date as at which the accounts of the business for that underwriting year are deemed by the Commissioners of Inland Revenue for the purposes of the arrangements to be closed, or such longer period as those Commissioners may allow ;
 - (b) where the underwriter carries on his business during part only of that year of assessment, the maximum gross amount of the said payments shall be reduced by the application thereto of the proportion which the part of that year of assessment for which he is entitled to profits from the business bears to a full year.
- (2) Subject to the provisions of paragraph 12 of this Schedule (which relates to the effect of the cancellation by the Commissioners of Inland Revenue or the Board of Trade of their approval or certificate with respect to the arrangements) the years of assessment to which this paragraph applies are—
- (a) where the notice of adherence is given before the end of the year nineteen hundred and forty-nine, the year 1949-50 and all subsequent years of

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assessment during the whole or any part of which the underwriter continues to carry on his business ;

- (b) where the notice of adherence is given after the end of the year nineteen hundred and forty-nine, all years of assessment during the whole or any part of which the underwriter continues to carry on his business subsequent to the year of assessment during which the notice of adherence is given:

Provided that—

- (i) in no case shall this paragraph apply to the year of assessment in which the underwriter commences to carry on his business, or to the year of assessment next following that year;
 - (ii) where the underwriter gives a notice of withdrawal, the last year of assessment to which this paragraph applies shall, subject to the provisions of the said paragraph 12, be the year of assessment corresponding to the underwriting year the accounts for which are deemed by the Commissioners of Inland Revenue for the purposes of the arrangements to be closed as at a date falling within the year of assessment preceding that in which the notice of withdrawal is given.
- (3) In sub-paragraph (1) of this paragraph, the expression " profit " means a profit computed in the manner in which the profits or gains of the business of the underwriting year in question would fall to be computed under Case I of Schedule D if—
- (a) income arising from the investments forming part of the premiums trust fund of the underwriter, his special reserve fund or funds and any other fund required or authorised by the rules of Lloyd's or the association in question, or required by the underwriting agent through whom the business or any part thereof is carried on, to be kept in connection with the business fell to be taken into account; and
 - (b) all shares of the profits of the business and all charges related to those profits or to the said income, being shares and charges payable to persons other than the underwriter and not otherwise taken into account, fell to be deducted.

- 7 (1) The arrangements must be such as to secure that, if it is certified that the underwriter has sustained a loss in his business for an underwriting year subsequent to that which corresponds to the first year of assessment to which paragraph 6 of this Schedule applies, there shall be made into his premiums trust fund, out of the capital of his special reserve fund or funds, payments the gross amount of which is equal in the aggregate to the certified amount of the loss:

Provided that if the capital of his special reserve fund or funds, reduced by so much thereof as represents sums paid into it or them as a consequence of a profit for a year later than the year of the loss, is less than the net amount of the payments required to be made by this sub-paragraph, the said payments shall be reduced so that the net amount thereof is equal to the capital of the said fund or funds as so reduced.

- (2) In this paragraph, the expression " loss " means a loss computed in the manner in which the profits or gains of the business of the underwriting year in question would fall to be computed under sub-paragraph (3) of the last preceding paragraph:

Provided that where, under any arrangement between the underwriter and another person which provides for the sharing of losses, any amount is paid to the underwriter by that person as that person's share of a loss for that year, the loss, as computed for the purposes of this paragraph, shall be reduced by that amount.

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- (3) In this paragraph, the expression "certified" means certified by a certificate of the surveyor:

Provided that—

- (a) no certificate shall be given by the surveyor until twenty-eight days have elapsed from the date on which he has given to the underwriter or his personal representatives notice in writing stating his intention to give a certificate and stating the amount which he proposes to specify therein as the amount of the loss;
- (b) the underwriter or his personal representatives may, on giving notice in writing to the surveyor within the said twenty-eight days, appeal to the Special Commissioners ;
- (c) where notice is so given by the underwriter or his personal representatives, the surveyor shall not without the consent of the underwriter or his personal representatives give any certificate until after the hearing of the appeal; and
- (d) on the hearing of the appeal, the Special Commissioners may direct the surveyor not to give a certificate or to give it with such an amount specified therein as the amount of the loss as may be specified in the direction.

- 8 The arrangements must provide that, on the underwriter ceasing to carry on his business, the capital of his special reserve fund or funds, so far as not required for giving effect to the requirements of the last preceding paragraph, shall be paid over to the underwriter or his personal representatives or assigns.