
STATUTORY INSTRUMENTS

1993 No. 98

The Friendly Societies (Insurance Business) Regulations 1993

PART III

MATCHING AND LOCALISATION

Application: Part III

12. This Part of these Regulations shall apply to any incorporated friendly society which falls within section 37(2) or (3) of the 1992 Act.

Matching: general requirement

13.—(1) Where the liabilities of a society to which this Part applies in any particular currency exceed 5 per cent of the society's total liabilities, the society shall hold sufficient assets in that currency to cover at least 80 per cent of the society's liabilities in that currency.

(2) Where a society carries on both long term and general business, the requirements of paragraph (1) apply to the assets and liabilities of each kind of business separately.

(3) For the purposes of this regulation—

“assets”, except in the case of assets of the kind referred to in regulation 20(2) below, means assets valued in accordance with Part IV of these Regulations; and

“liabilities” means provision by a society to cover liabilities arising under or in connection with contracts of insurance (not being liabilities relating to insurance business excluded by regulation 18 below).

(4) For the purposes of this regulation references to assets in a currency shall be construed as references to assets expressed in or capable of being realised (without exchange risk) in that currency; and an asset is capable of being realised (without exchange risk) in a currency if it is reasonably capable of being realised in that currency without risk that changes in exchange rates would reduce the cover of liabilities in that currency.

(5) The provisions of this regulation have effect subject to the following regulations in this Part of these Regulations.

Matching: property linked benefits

14.—(1) In so far as the liabilities for property linked benefits are covered by assets which determine the benefits payable under a linked long term contract, regulation 13 above does not apply.

(2) In so far as the liabilities for property linked benefits are determined by reference to assets in a currency other than that in which the society's obligations to the policyholder are expressed, those liabilities shall for the purposes of regulation 13 be deemed to be liabilities in the first-mentioned currency.

(3) In this regulation “property linked benefits” has the meaning given by regulation 19(1) below.

Matching: currency of general business liabilities

15.—(1) The currency of a society's general business liabilities shall, for the purposes of regulation 13 above, be determined as follows.

(2) Where the contract of insurance expresses any liability in terms of a particular currency, that liability shall be regarded as a liability in that currency.

(3) Where the liabilities are not so expressed, they shall be regarded as liabilities in the currency of the country in which the risk is situated or, if the society on reasonable grounds so determines, in the currency in which the premium payable under the contract is expressed.

(4) However, the society may regard its liabilities as liabilities in the currency which it will use in accordance with past experience or, in the absence of such experience, in the currency of the country in which it is established where, in accordance with the nature of the risks, the society's liabilities are liabilities in a currency other than that determined in accordance with paragraph (2) or (3).

(5) Where a claim has been notified to a society and the society's liability in respect of that claim is payable in a currency other than one which would result from the application of the above provisions, the liability shall be regarded as a liability in the currency in which the society is actually obliged to pay it.

(6) Where a claim is assessed in a currency which is known to the society in advance but which is different from a currency determined in accordance with the above provisions, the society may regard its liabilities as liabilities in that currency.

Matching: exception for certain general business liabilities

16.—(1) The requirements of regulation 13 above have effect subject to the following provisions as regards a society's general business.

(2) The society need not cover the liabilities of its general business by assets in a particular currency if those assets would amount to 7 per cent or less of the remainder of its assets in other currencies.

This paragraph is subject to paragraphs (3) and (4) below.

(3) During the period until 31st December 1998, paragraph (2) has effect in relation to liabilities required to be covered by assets in Greek drachmas, Irish pounds or Portuguese escudos as if the amount of 2 million ECU, if less than the percentage mentioned in that paragraph, were substituted for that percentage.

(4) During the period until 31st December 1996, paragraph (2) has effect in relation to liabilities required to be covered by assets in Belgian francs, Luxembourg francs or Spanish pesetas as if the amount of 2 million ECU, if less than the percentage mentioned in that paragraph, were substituted for that percentage.

Localisation

17.—(1) Assets held pursuant to regulation 13 above shall be held—

- (a) if they cover liabilities in sterling, in the United Kingdom;
- (b) if they cover liabilities in any other currency, in the United Kingdom or in the country of that currency.

(2) For the purposes of applying paragraph (1) above to tangible assets and assets consisting of a claim against a debtor or a listed or unlisted investment, the following provisions shall have effect—

- (a) a tangible asset shall be regarded as held in the place where it is situated;
- (b) an asset consisting of a claim against a debtor shall be regarded as held in any place where it can be enforced by legal action;

- (c) an asset consisting of a listed investment shall be regarded as held in any place where—
 - (i) there is a recognised United Kingdom stock exchange or a stock exchange of repute outside the United Kingdom where it is listed; or
 - (ii) there is a securities market outside the United Kingdom, being a market of repute in which prices of all securities in which there are dealings are publicly listed and which is supervised by a public body, where it is dealt in;
- (d) an asset consisting of an unlisted investment issued by an incorporated company shall be regarded as held in the place where the head office of the company is situated.

Exclusions from regulations 13 and 17

18. Nothing in regulation 13 or 17 shall apply to insurance business carried on outside the United Kingdom.