
STATUTORY INSTRUMENTS

1994 No. 1982

FRIENDLY SOCIETIES

The Friendly Societies (Authorisation) Regulations 1994

Made - - - - *20th July 1994*
Laid before Parliament *1st August 1994*
Coming into force - - *1st September 1994*

The Friendly Societies Commission, with the consent of the Treasury, in exercise of the powers conferred upon it by paragraph 2(2) of Schedule 13 to, and section 121(3) of, the Friendly Societies Act 1992⁽¹⁾ and of all other powers enabling it in that behalf, hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Friendly Societies (Authorisation) Regulations 1994, and shall come into force on 1st September 1994.

Interpretation

2.—(1) In these Regulations, unless the context otherwise requires—

“the 1992 Act” means the Friendly Societies Act 1992;

“class”, in relation to insurance business, has the meaning given in section 43 of the 1992 Act;

“deposit back arrangement”, in relation to any contract of reinsurance, means an arrangement whereby an amount is deposited by the reinsurer with the cedant;

“expected date of authorisation” means the date which is 6 months after the date of submission of an application for authorisation under section 32 of the 1992 Act, or, such earlier date as the Commission may, at the request of a society, determine;

“information” includes proposal and financial forecast;

“mathematical reserves” means the provision made by the society to cover liabilities (excluding liabilities which have fallen due and liabilities arising from deposit back arrangements) arising under or in connection with contracts for long term business;

“minimum guarantee fund” means the minimum guarantee fund referred to in Regulation 5 of the Friendly Societies (Insurance Business) Regulations 1994⁽²⁾;

(1) 1992 c. 40; section 119(1) contains a definition of “the Commission”.
(2) S.I. 1994/1981.

“premium” includes a contribution in respect of an insurance benefit and the consideration for the granting of an annuity;

“qualifying bodies” has the meaning given by section 13(2) of the 1992 Act;

“required margin of solvency” means the margin of solvency to be maintained by the society under section 48 of the 1992 Act;

“Schedule” means Schedule to these Regulations;

“society” means an incorporated friendly society or a registered friendly society;

“the valuation regulations” means Parts IV and V of the Friendly Societies (Insurance Business) Regulations 1994.

(2) In these Regulations, unless the context otherwise requires—

- (a) references to an actuary, appointed actuary, appropriate actuary or controller shall have the same meaning as they have in section 119 of the 1992 Act;
- (b) references to insurance business, direct insurance business, long term business, general business, or reinsurance business shall have the same meaning as they have in section 117 of the 1992 Act; and
- (c) references to non-insurance business shall have the same meaning as they have in section 119 of the 1992 Act.

Application

3. These Regulations shall apply to an application for authorisation to carry on insurance or non-insurance business under section 32 of the 1992 Act.

Authorisation: submission of information

4. The information to be submitted pursuant to paragraph 2(2) of Schedule 13 to the 1992 Act shall be—

- (a) for an application for authorisation to carry on long term business, the information specified in Schedule 1;
- (b) for an application for authorisation to carry on general business, the information specified in Schedule 2; and
- (c) for an application for authorisation to carry on non-insurance business, the information specified in Schedule 3.

Transitional provision

5. Any application for authorisation to carry on long term business, general business or non-insurance business made under section 32 of the 1992 Act which—

- (a) was received by the Commission prior to the entry into force of these Regulations;
- (b) complied with the requirements set out in the Friendly Societies (Authorisation No. 2) Regulations 1993(3); and
- (c) in respect of which the Commission has not granted or refused authorisation,

shall be treated as if it were an application made in accordance with these Regulations.

Revocation

6. The Friendly Societies (Authorisation No. 2) Regulations 1993 are hereby revoked.

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

L.S.

18th July 1994.

Michael Cook
Secretary to the Commission

We consent to these Regulations

20th July 1994

Tim Wood
Irvine Patnick
Two of the Lords Commissioners of Her Majesty's Treasury

SCHEDULE 1

Regulation 4

INFORMATION TO BE SUBMITTED: LONG TERM BUSINESS

Application

1. Subject to paragraphs 2 and 3 below, the information specified in paragraphs 4—25, where applicable, shall be submitted by each society.

2. Where a society applies for an extension of its current authorisation, the information specified in paragraphs 6, 7, 8, 10, 14, 15, 16, 17, and 18 is required only in respect of the classes, or any part of a class, of insurance business not included in its current authorisation but for which authorisation is being sought.

3. A society shall not be required to submit the information specified in paragraph 23 or 24 where the Commission already possesses that information.

Classification of business

4. Particulars of the following—

- (a) the classes, or any part of a class, of insurance business and the descriptions of non-insurance business (if any) for which the society is already authorised, and those classes, or part of a class, which it wishes to be included in the new authorisation; and
- (b) the parts of the United Kingdom covered by the society's existing authorisation and those which it wishes to be covered by the new authorisation.

Solvency

5. Where any solvency requirements imposed by or under the 1992 Act are expected to be applicable to the society at the expected date of authorisation, a statement showing the amount by which the assets are expected to exceed liabilities at that date (after application of the valuation regulations) and how calculated.

Scheme of operations

6. The sources of business (for example, insurance brokers, agents, own employees or direct selling), the approximate percentage expected from each source and the commission rates payable.

7. The nature of the commitments which the society proposes to cover.

8. The guiding principles as to reinsurance including the society's maximum retention per risk or event after all reinsurance ceded and the names of the principal reinsurers.

9. Where the society expects to be either a registered friendly society to which section 37(2) or (3) of the 1992 Act applies or an incorporated friendly society at the expected date of authorisation, the assets which represent or will represent the minimum guarantee fund being assets admissible under and valued in accordance with the valuation regulations.

10. The estimated cost of installing the administrative services and organisation for securing business and how calculated, and details of the financial resources intended to cover those costs.

Projections

11. For each of the first three financial years following authorisation—

- (a) a forecast balance sheet (on both optimistic and pessimistic bases);

- (b) a plan (on both optimistic and pessimistic bases) setting out detailed estimates of income and expenditure in respect of direct insurance business and reinsurance cessions; and
- (c) estimates relating to the financial resources intended to cover underwriting liabilities and the required margin of solvency.

12. The technical bases used to calculate the forecast and estimates specified in paragraph 11, and the factors used to determine the level of the required margin of solvency assumed for the purposes of paragraph 11(c).

Other information

13. A description of the society's overall investment strategy including a statement showing the types of investments which are expected to represent the insurance funds and the estimated proportion which will be represented by each type of investment.

14. Copies or drafts of reinsurance treaties.

15. Copies or drafts of any standard agreements which the society has entered into, or will enter into, with persons who are or will be sources of business in accordance with paragraph 6 above.

16. Copies or drafts of any agreements with persons (other than employees of the society) who manage or will manage the business of the society.

17. The technical bases that the appropriate actuary proposes to employ for each class of business, including the data needed to calculate premium rates and mathematical reserves.

18. A certificate by the appropriate actuary that—

- (a) he considers the premium rates to be suitable;
- (b) he considers the financing of the society to be sufficient to cover both technical reserves and the required margin of solvency during the first three financial years following authorisation; and
- (c) he is satisfied that the information provided under paragraphs 7, 8, 11 and 12 above is based on reasonable principles.

19. A statement made jointly by each member of the committee of management, the secretary and the chief executive that the affairs of the society are directed in accordance with the criteria of prudent management set out in section 50(3) of the 1992 Act and will continue to be so directed.

20. A personal questionnaire (available from the Commission) requiring biographical information and disclosure of interests signed and completed by each of the following—

- (a) the chairman of the committee of management;
- (b) the chief executive;
- (c) the secretary; and
- (d) a controller (if any).

21. Name and address of the society's bankers, solicitors, appropriate actuary, auditors, and investment advisers.

22. Name and registered office of any subsidiary or jointly controlled body and particulars of any plan to form or to take part in forming or to acquire control or joint control of any qualifying body, including particulars of the current and proposed activities (by reference to Schedule 7 of the 1992 Act) of any such subsidiary, jointly controlled body or qualifying body and the approximate date of formation and commencement of its activities.

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

23. Where the society carries on, or applies for authorisation to carry on, both long term business and general business of class 3 of head B of Schedule 2 to the 1992 Act, particulars of the classes, or any part of a class, of insurance business carried on by the society on 15th March 1979.

24. Particulars of any commercial business other than insurance business which the society carries on (stating, in relation to any savings business, whether the society was carrying on long term business and the savings business on 15th March 1979).

25. A declaration by the secretary that the information provided in the application for authorisation is to the best of his knowledge and belief accurate.

SCHEDULE 2

Regulation 4

INFORMATION TO BE SUBMITTED: GENERAL BUSINESS

Application

1. Subject to paragraphs 2 and 3 below, the information specified in paragraphs 4—22, where applicable, shall be submitted by each society.

2. Where a society applies for an extension of its current authorisation, the information specified in paragraphs 6, 7, 8, 10, 13, 14, and 15 is required only in respect of the classes, or any part of a class, of insurance business not included in its current authorisation but for which authorisation is being sought.

3. A society shall not be required to submit the information specified in paragraph 20 or 21 where the Commission already possesses that information.

Classification of business

4. Particulars of the following—

- (a) the classes, or any part of a class, of insurance business and the descriptions of non-insurance business (if any) for which the society is already authorised, and those classes, or any part of a class, which it wishes to be included in the new authorisation; and
- (b) the parts of the United Kingdom covered by the society's existing authorisation and those which it wishes to be covered by the new authorisation.

Solvency

5. Where any solvency requirements imposed by or under the 1992 Act are expected to be applicable to the society at the expected date of authorisation, a statement showing the amount by which the assets are expected to exceed liabilities at that date (after application of the valuation regulations) and how calculated.

Scheme of operations

6. The sources of business (for example insurance brokers, agents, own employees or direct selling), the approximate percentage expected from each source, and the commission rates payable.

7. The nature of the risks which the society proposes to cover.

8. The guiding principles as to reinsurance including the society's maximum retention per risk or event after all reinsurance ceded and the names of the principal reinsurers.

9. Where the society expects to be either a registered friendly society to which section 37(2) or (3) of the 1992 Act applies or an incorporated friendly society at the expected date of authorisation, the assets which represent or will represent the minimum guarantee fund being assets admissible under and valued in accordance with the valuation regulations.

10. The estimated cost of installing the administrative services and organisation for securing business and how calculated, and details of the financial resources intended to cover those costs.

Projections

11. For each of the first three financial years following authorisation—

- (a) a forecast balance sheet;
- (b) estimates relating to expenses of management (other than costs of installation) and in particular to current general expenses and commissions;
- (c) estimates relating to premiums or contributions both gross and net of reinsurance and to claims (after all reinsurance recoveries);
- (d) estimates relating to the financial resources intended to cover underwriting liabilities and the required margin of solvency.

Other Information

12. A description of the society's overall investment strategy including a statement showing the types of investments which are expected to represent the insurance funds and the estimated proportion which will be represented by each type of investment.

13. Copies of drafts or reinsurance treaties.

14. Copies or drafts of any standard agreements which the society has entered into, or will enter into, with persons who are or will be sources of business in accordance with paragraph 6 above.

15. Copies or drafts of any agreements with persons (other than employees of the society) who manage or will manage the business of the society.

16. A statement made jointly by each member of the committee of management, the secretary and the chief executive that the affairs of the society are directed in accordance with the criteria of prudent management set out in section 50(3) of the 1992 Act and will continue to be so directed.

17. A personal questionnaire (available from the Commission) requiring biographical information and disclosure of interests signed and completed by each of the following—

- (a) the chairman of the committee of management;
- (b) the chief executive;
- (c) the secretary; and
- (d) a controller (if any).

18. Name and address of the society's bankers, solicitors, appropriate actuary, auditors, and investment advisers.

19. Name and registered office of any subsidiary or jointly controlled body and particulars of any plan to form or to take part in forming or to acquire control or joint control of any qualifying body, including particulars of the current and proposed activities (by reference to Schedule 7 of the 1992 Act) of any such subsidiary, jointly controlled body or qualifying body and the approximate date of formation and commencement of its activities.

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20. Where the society carries on, or applies for authorisation to carry on, both long term business and general business of class 3 of head B of Schedule 2 to the 1992 Act, particulars of the classes, or any part of a class, of insurance business carried on by the society on 15th March 1979.

21. Particulars of any commercial business other than insurance business which the society carries on (stating, in relation to any savings business, whether the society was carrying on long term business and the savings business on 15th March 1979).

22. A declaration by the secretary that the information provided in the application for authorisation is to the best of his knowledge and belief accurate.

SCHEDULE 3

Regulation 4

INFORMATION TO BE SUBMITTED: NON-INSURANCE BUSINESS

Application

1. The information specified in paragraphs 2—16, where applicable, shall be submitted by each society.

Classification of business

2. Particulars of the following—

- (a) the descriptions of non-insurance business and classes, or any part of a class, of insurance business (if any) for which the society is already authorised and those descriptions which the society wishes to be included in the new authorisation; and
- (b) the parts of the United Kingdom covered by the society's existing authorisation and those which it wishes to be covered by the new authorisation.

Solvency

3. Where any solvency requirements imposed by or under the 1992 Act are expected to be applicable to the society at the expected date of authorisation, a statement showing the amount by which the assets are expected to exceed liabilities at that date (after application of valuation regulations) and how calculated.

Scheme of Operations

4. The sources of business (for example insurance brokers, agents, own employees or direct selling), the approximate percentage expected from each source, and the commission rates payable.

5. The nature of the commitments which the society proposes to cover and the general and special contractual conditions which it proposes to use.

6. The technical bases which the society proposes to apply for each category of business.

7. The estimated cost of installing the administrative services and organisation for securing business and how calculated, and details of the financial resources intended to cover those costs.

Projections

8. For each of the first three financial years following authorisation—

- (a) a forecast balance sheet;

(b) a plan setting out detailed estimates of income and expenditure, and the technical bases used to calculate the forecast and estimates specified in this paragraph.

Other information

9. A description of the society's overall investment strategy including a statement showing the types of investments which are expected to represent the non-insurance funds and the estimated proportion which will be represented by each type of investment.

10. Copies or drafts of any standard agreements which the society has entered into, or will enter into, with persons who are or will be sources of business in accordance with paragraph 4 above.

11. Copies or drafts of any agreements with persons (other than employees of the society) who manage or will manage the business of the society.

12. A statement made jointly by each member of the committee of management, the secretary and the chief executive that the affairs of the society are directed in accordance with the criteria of prudent management set out in section 50(3) of the 1992 Act and will continue to be so directed.

13. A personal questionnaire (available from the Commission) requiring biographical information and disclosure of interests signed and completed by each of the following—

- (a) the chairman of the committee of management;
- (b) the chief executive; and
- (c) the secretary.

14. Name and address of the society's bankers, solicitors, actuary (if any), auditors, and investment advisers.

15. Name and registered office of any subsidiary or jointly controlled body and particulars of any plan to form or to take part in forming or to acquire control or joint control of any qualifying body, including particulars of the current and proposed activities (by reference to Schedule 7 of the 1992 Act) of any such subsidiary, jointly controlled body or qualifying body and the approximate date of formation and commencement of its activities.

16. A declaration by the secretary that the information provided in the application for authorisation is to the best of his knowledge and belief accurate.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations revoke the Friendly Societies (Authorisation No. 2) Regulations 1993 (S.I.1993/2521) and re-enact those provisions with minor modification to implement the relevant provisions of—

- (a) the First Life Directive, [79/267/EEC](#) (O.J. No. L63, 13.3.79, p.1), following its amendment by the Third Life Directive, [92/96/EEC](#) (O.J. No. L360, 9.12.92, p.1); and
- (b) the First Non-Life Directive, [73/239/EEC](#) (O.J. No. L228, 16.8.73, p.3), following its amendment by the Third Non-Life Directive, [92/49/EEC](#) (O.J. No. L228, 11.8.92, p.1).

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The Regulations prescribe the information which an incorporated or a registered friendly society is required to provide to the Friendly Societies Commission (“the Commission”) when applying for authorisation under section 32 of the Friendly Societies Act 1992 (“the Act”). These Regulations do not apply to applications under section 33 of the Act.

The information required varies depending on whether—

- (a) the society wishes to be authorised to carry on long term, general or non-insurance business;
- (b) the society is already authorised in respect of other classes of insurance business;
- (c) the society is a society to which section 37(2) or (3) of the Act applies; or
- (d) the Commission already possesses the information.

Regulation 4 and Schedules 1 and 2 implement the relevant requirements of the First Life and Non-Life Directives and extend the majority of those requirements to all friendly societies seeking authorisation to carry on insurance business, notwithstanding that certain societies may not be within the scope of those Directives.

Paragraph 23 of Schedule 1 and paragraph 20 of Schedule 2 will enable the Commission to ascertain whether the restriction on combinations of business in section 37 of the Act is being met. Paragraph 24 of Schedule 1 and paragraph 21 of Schedule 2 will enable the Commission to ascertain whether the restriction on commercial business in section 38 of the Act is being met.

Regulation 4 and Schedule 3 relate to applications for authorisation to carry on non-insurance business. The statement referred to in paragraph 3 of Schedule 3 to these Regulations is not needed unless that society will be required to maintain a margin of solvency in accordance with sections 48 and 49 of the Act in respect of any insurance business carried on by it or to be carried on by it.

Regulation 5 makes transitional provision to ensure that any application for authorisation under section 32 of the Act received by the Commission prior to the entry into force of these Regulations continues to be a valid application notwithstanding the changes introduced by these Regulations.

A review of the cost of compliance with these Regulations has been undertaken and the resulting compliance cost assessment may be purchased from the Secretary, Friendly Societies Commission, 15 Great Marlborough Street, London W1V 2AX.