



Policyholders Protection Act 1975 (repealed)

1975 CHAPTER 75

Levies on the insurance industry to finance the performance by the Board of their functions

18 General business expenditure and long term business expenditure.

- (1) In this Act “general business expenditure” means—
 - (a) any expenditure of the Board under section 6, 7 or 8 above; and
 - (b) any expenditure attributed by the Board under subsection (3) below to general business expenditure.
- (2) In this Act “long term business expenditure” means—
 - (a) any expenditure of the Board under section 10 or 11 above; and
 - (b) any expenditure attributed by the Board under subsection (3) below to long term business expenditure.
- (3) The Board may, in the case of—
 - (a) any expenditure under section 15 or 16 above;
 - (b) any expenditure in repaying or servicing any loans; and
 - (c) any expenditure on their administrative expenses in performing their functions under this Act;

attribute that expenditure to general business expenditure or to long term business expenditure, or partly to the one and partly to the other, in such manner as may appear to them to be reasonable in the circumstances of the case.

19 Levies on intermediaries.

- (1) Where—
 - (a) the Board have incurred or propose to incur any long term business expenditure in relation to a company in liquidation or a company which is a company in financial difficulties within the meaning of section 16 above; and

Status: Point in time view as at 01/02/1991.

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(b) it appears to the Board that the company in question has accountable intermediaries;

it shall be the duty of the Board to impose a levy on those intermediaries in accordance with the following provisions of this section and Schedule 2 to this Act.

- (2) Subject to section 20 and subsections (3) and (5) below, a person is an accountable intermediary of a company for the purposes of this section and Schedule 2 to this Act if—
- (a) he has acted as an intermediary for the company in relation to any relevant long term contract of the company; and
 - (b) his income from the company in respect of his services (whether as an intermediary or otherwise) in relation to any such contracts (hereafter in this section and in section 20 below referred to as “relevant services”) for either or each of the two years comprised in the period of two years ending immediately before the time mentioned below in this subsection exceeded his exempt income level for the year in question.

The time referred to above is the beginning of the liquidation in the case of a company in liquidation and the relevant time as defined by section 16(6) above in the case of a company in financial difficulties within the meaning of that section.

- (3) An individual shall not be an accountable intermediary of a company for the purposes of this section and Schedule 2 to this Act if the services in question under subsection (2) (b) above were performed in pursuance of a contract of exclusive agency with the company.

For the purposes of this subsection a contract is a contract of exclusive agency with a company in relation to the performance of any services thereunder if it provides that the person performing the services must not perform services of a like description for any other insurance company.

- (4) Subject to section 20 and subsection (5) below, the income of an accountable intermediary of a company which is liable to levy under this section shall be—
- (a) one-half of any amount by which his income from the company in respect of relevant services for the later of the two years mentioned in subsection (2) above exceeded his exempt income level for that year; and
 - (b) one-quarter of any amount by which his income from the company in respect of relevant services for the earlier of those two years exceeded his exempt income level for that year;

and in relation to any intermediary, his income liable to levy for either of those years or, where he had income liable to levy for each of those years, the aggregate of his income liable to levy for both of those years, is hereafter in this Act referred to as income of the intermediary which is income liable to levy.

- (5) For the purposes of this section and section 20 below a person’s income from a company in respect of relevant services for any year is the total amount of the sums paid or allowed to that person by the company in respect of relevant services which were recorded as debits in the company’s accounts during that year; but no account shall be taken for those purposes of any sums recorded in a company’s accounts at any time before 1st January 1976.
- (6) If the proceeds of any levy imposed under this section in respect of any company exceed the long term business expenditure incurred by the Board in relation to that company the Board shall distribute the excess among the accountable intermediaries of

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that company who have made any payments to the Board under the levy in proportion to the sums those intermediaries have respectively paid thereunder.

- (7) References in this section, in section 20 below and in Schedule 2 to this Act to an intermediary of a company are references to a person who has acted as an intermediary for the company in relation to any relevant long term contract of the company.
- (8) For the purposes of this section a person acts as an intermediary for a company in relation to a long term contract if, otherwise than as an employee of the company—
 - (a) he invites any other person to take any step with a view to entering into a long term contract with the company;
 - (b) he introduces any other person to the company with a view to his entering into such a contract with the company; or
 - (c) he takes any other action with a view to securing that any other person will enter into such a contract with the company.
- (9) In this section “long term contract” means a contract the effecting of which by a company constitutes the carrying on by the company of long term business. . . ^{F1} in the United Kingdom, not being a contract of reinsurance; and a long term contract is a relevant long term contract of a company for the purposes of this section if it was effected by the company within the period of two years mentioned in subsection (2) above.
- (10) Schedule 2 to this Act shall have effect with respect to the imposition and enforcement of levies under this section.

Textual Amendments

F1 Words repealed by [Insurance Companies Act 1981 \(c. 31, SIF 67\)](#), s. 36, [Sch. 5 Pt. I](#)

20 The exempt income level for the purposes of section 19.

- (1) For the purposes of section 19 above the exempt income level of an intermediary of a company for any year is—
 - (a) where no other person is linked with the intermediary, £5,000; and
 - (b) in any other case, that proportion of £5,000 which is equal to the proportion which the intermediary’s income from the company in respect of relevant services for the year in question bears to the total amount of the group’s income from the company in respect of such services for that year.

In paragraph (b) above “the group” means the intermediary together with the person or (where there are more than one) all of the persons linked with the intermediary.

- (2) Where in a case falling within subsection (1)(b) above the income from the company in respect of relevant services for any year—
 - (a) of the intermediary; and
 - (b) of each person linked with the intermediary;did not exceed £1,000, no account shall be taken of that income for the purposes of section 19 above.
- (3) The following are persons linked with an intermediary for the purposes of this section, whether the intermediary is a company or a person other than a company—

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- (a) any partner of the intermediary and any partnership of which the intermediary is a member;
 - (b) any company of which the intermediary is a director; and
 - (c) any director of any company which is linked with the intermediary.
- (4) Where the intermediary in question is a company the following are also persons linked with the intermediary for the purposes of this section—
- (a) any person other than a company who has a controlling interest in the intermediary, and any company other than the intermediary in which any such person also has a controlling interest;
 - (b) any company of which the intermediary is a subsidiary and any other subsidiary of any such company;
 - (c) any subsidiary of the intermediary; and
 - (d) any director of the intermediary.
- (5) Where the intermediary in question is a person other than a company the following are also persons linked with the intermediary for the purposes of this section—
- (a) any company in which the intermediary has a controlling interest;
 - (b) any company of which a company linked with the intermediary by virtue of subsection (3)(b) or paragraph (a) above is a subsidiary and any other subsidiary of any such company;
 - (c) any subsidiary of any company linked with the intermediary by virtue of subsection (3)(b) or paragraph (a) above; and
 - (d) where the intermediary is a partnership, each of its members.
- (6) A person other than a company shall be treated as having a controlling interest in a company for the purposes of subsections (4)(a) and (5)(a) above if, but only if, that company would be a subsidiary of the person in question if that person were a company.
- (7) In determining for the purposes of subsection (6) above whether a company would be a subsidiary of any person other than a company, any shares held or power exercisable by either of two spouses or by both spouses jointly shall be treated as held or exercisable by each spouse.

[^{F2}(8) In subsections (3) to (7) above, “company” includes any body corporate].

Textual Amendments

F2 S. 20(8) substituted by [Companies Consolidation \(Consequential Provisions\) Act 1985 \(c. 9, SIF 27\)](#), s. 30, [Sch. 2](#)

21 Levies on authorised insurance companies.

- (1) Subject to the following provisions of this section and to Schedule 3 to this Act, the Board may from time to time, for the purpose of financing general business expenditure, impose a levy on authorised insurance companies carrying on general business in the United Kingdom (hereafter in this Act referred to as a “general business levy”).
- (2) Subject to the following provisions of this section and to Schedule 3 to this Act, the Board may from time to time, for the purpose of financing long term business

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expenditure, impose a levy on authorised insurance companies carrying on long term business in the United Kingdom (hereafter in this Act referred to as a “long term business levy”).

- (3) The amount each insurance company may be required to pay under general business levies imposed in any financial year shall be calculated by reference to the net premium income of the company for the year ending last before the beginning of that financial year in respect of general policies which were United Kingdom policies at the relevant time; and any such income is hereafter in this Act referred to, in relation to any company, as income of the company for the year in question which is income liable to the general business levy.
- (4) The amount each insurance company may be required to pay under long term business levies imposed in any financial year shall be calculated by reference to the net premium income of the company for the year ending last before the beginning of that financial year in respect of long term policies effected after 31st December 1974 which were United Kingdom policies at the relevant time; and any such income is hereafter in this Act referred to, in relation to any company, as income of the company for the year in question which is income liable to the long term business levy.
- (5) In subsections (3) and (4) above, the net premium income of a company for any year in respect of policies of any description which were United Kingdom policies at the relevant time means the gross amounts recorded in the company’s accounts during that year as paid or due to the company by way of premiums under policies of that description which were United Kingdom policies at the time when the amounts in question were so recorded, less any amounts deductible for that year in respect of policies of that description in accordance with subsection (6) or (7) below.
- (6) In calculating a company’s net premium income for any year in respect of policies of any description, any rebates or refunds recorded in the company’s accounts during that year as allowed or given in respect of any amounts so recorded during that or any previous year as paid or due to the company by way of premiums under policies of that description which were United Kingdom policies at the time when the rebates or refunds were so recorded shall be deductible.
- (7) In calculating a company’s net premium income for any year in respect of general policies, any sums recorded in the company’s accounts during that year as paid by or due from the company by way of premiums for reinsuring its liabilities towards policyholders under general policies which were United Kingdom policies at the time when the sums in question were so recorded shall be deductible.
- (8) The proceeds of general business levies may be applied by the Board only on general business expenditure, and the proceeds of long term business levies may be applied by the Board only on long term business expenditure.
- (9) Schedule 3 to this Act shall have effect with respect to the imposition and enforcement of general business levies and long term business levies and the other matters there mentioned.

Modifications etc. (not altering text)

C1 Power to amend s. 21 conferred by [Insurance Companies Act 1982 \(c. 50, SIF 67\)](#), s. 67(4)

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- (1) **F3**
- (2) **F4**

Textual Amendments

- F3** S. 22(1) repealed by [Insurance Companies Act 1982 \(c. 50, SIF 67\)](#), s. 99(3), **Sch. 6**
- F4** S. 22(2) repealed by [Insurance Companies Act 1980 \(c. 25, SIF 67\)](#), s. 4(3), **Sch. 5**

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