



Companies Act 1967

1967 CHAPTER 81

PART II

AMENDMENTS OF LAW WITH RESPECT TO INSURANCE COMPANIES

Control of Entry into insurance Business and of its general Conduct

59 Classes of insurance business relevant for purposes of Part II, and definitions thereof.

- (1) The classes of insurance business relevant for the purposes of this Part of this Act are industrial assurance business, liability insurance business, marine, aviation and transport insurance business, motor vehicle insurance business, ordinary long-term insurance business, pecuniary loss insurance business, personal accident insurance business and property insurance business.
- (2) In this Part of this Act, " industrial assurance business " has the meaning assigned to it by section 1(2) of the Industrial Assurance Act 1923.
- (3) In this Part of this Act, " liability insurance business " means the business of effecting and carrying out contracts of insurance against risks of the persons insured incurring liabilities to third parties, not being risks arising out of, or in connection with the use of, motor vehicles or out of, or in connection with the use of, vessels or aircraft or risks incidental to the construction, repair or docking of vessels or aircraft.
- (4) In this Part of this Act, " marine, aviation and transport insurance business " means the business of effecting and carrying out contracts of insurance—
 - (a) upon vessels or aircraft, or upon the machinery, tackle, furniture or equipment of vessels or aircraft;
 - (b) upon goods, merchandise or property of any description whatever on board of vessels or aircraft;
 - (c) upon the freight of, or any other interest in or relating to, vessels or aircraft;
 - (d) against damage arising out of, or in connection with, the use of vessels or aircraft, including third-party risks ;

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- (e) against risks incidental to the construction, repair or docking of vessels, including third-party risks;
 - (f) against transit risks (whether the transit is by sea, inland water, land or air, or partly one and partly another), including risks incidental to the transit insured from the commencement of the transit to the ultimate destination covered by the insurance ; or
 - (g) against any other risks insurance against which is customarily undertaken in conjunction with, or as incidental to, the undertaking of such business as falls within this definition by virtue of any of the foregoing paragraphs.
- (5) In this Part of this Act, " motor vehicle insurance business " means the business of effecting and carrying out contracts of insurance against loss of, or damage to, or arising out of or in connection with the use of, motor vehicles, inclusive of third-party risks but exclusive of transit risks.
- (6) In this Part of this Act " ordinary long-term insurance business " means business of any of the following kinds, namely.—
- (a) effecting and carrying out contracts of insurance on human life or contracts to pay annuities on human life ;
 - (b) effecting and carrying out contracts of insurance against risks of the persons insured sustaining injury as the result of an accident or of an accident of a specified class or dying as the result of an accident or of an accident of a specified class or becoming incapacitated in consequence of disease or of disease of a specified class, being contracts that are expressed to be in effect for a period of not less than five years or without limit of time and either are not expressed to be terminable by the insurer before the expiration of five years from the taking effect thereof or are expressed to be so terminable before the expiration of that period only in special circumstances therein mentioned; and
 - (c) effecting and carrying out contracts of insurance, whether effected by the issue of policies, bonds or endowment certificates or otherwise, whereby, in return for one or more premiums paid to the insurer, a sum or a series of sums is to become payable to the insured in the future, not being such contracts as fall within either of the foregoing paragraphs;
- but does not include industrial assurance business.
- (7) In this Part of this Act, " pecuniary loss insurance business " means the business of effecting and carrying out contracts of insurance against any of the following risks, namely.—
- (a) risks of loss to the persons insured arising from the insolvency of debtors of theirs or from the failure (otherwise than through insolvency) of debtors of theirs to pay their debts when due;
 - (b) risks of loss to the persons insured arising from their having to perform contracts of guarantee entered into by them;
 - (c) risks of loss to the persons insured attributable to interruptions of the carrying on of business carried on by them or to reductions of the scope of businesses so carried on;
 - (d) risks of loss to the persons insured attributable to their incurring unforeseen expense; and
 - (e) risks neither falling within any of the foregoing paragraphs nor being of a kind such that the carrying on of the business of effecting and carrying out contracts of insurance against them constitutes the carrying on of insurance business of some other class.

- (8) In this Part of this Act, " personal accident insurance business " means the business of effecting and carrying out contracts of insurance against risks of the persons insured sustaining injury as the result of an accident or of an accident of a specified class or dying as the result of an accident or of an accident of a specified class or becoming incapacitated in consequence of disease or of disease of a specified class, not being contracts falling within subsection (6)(b) above.
- (9) In this Part of this Act, " property insurance business " means the business of effecting and carrying out contracts of insurance against risks of loss of, or damage to, material property, not being risks of a kind such that the business of effecting and carrying out contracts of insurance against them constitutes marine, aviation and transport insurance business or motor vehicle insurance business.

60 Restriction of carrying on insurance business.

- (1) No person shall carry on in Great Britain insurance business of a class relevant for the purposes of this Part of this Act (other than industrial assurance business) except—
- (a) a company incorporated, whether under the Companies Act 1948 or otherwise, which is authorised by or under the following provisions of this Part of this Act to carry on business of that class or a registered society which is so authorised to carry on business of that class;
 - (b) an unincorporated body of persons which is authorised by or under the said provisions to carry on business of that class, being a body which, immediately before 3rd November 1966, was carrying on in Great Britain insurance business (whether of that class or not);
 - (c) a body registered under the Acts relating to friendly societies or to trade unions ; or
 - (d) a member of Lloyd's, or of any other association of underwriters approved for the purposes of this Part of this Act by the Board of Trade.
- (2) No person shall carry on in Great Britain industrial assurance business except—
- (a) a company incorporated, whether under the Companies Act 1948 or otherwise, which is authorised by or under the following provisions of this Part of this Act to carry on such business or a registered society which is so authorised to carry on such business ; or
 - (b) a society registered under the Friendly Societies Act 1896, being a friendly society within the meaning of that Act.
- (3) No person shall carry on in the Isle of Man or any of the Channel Islands industrial assurance business except—
- (a) a company incorporated, whether under the Companies Act 1948 or otherwise, or a registered society ; or
 - (b) such a society as falls within paragraph (b) of the last foregoing subsection.
- (4) A person who carries on business in contravention of any of the foregoing subsections shall be guilty of an offence and liable—
- (a) on conviction on indictment, to imprisonment for a term not exceeding two years or to a fine, or to both;
 - (b) on summary conviction, to imprisonment for a term not exceeding three months or to a fine not exceeding £200, or to both.

61 Authorisations for purposes of section 60.

(1) In the case of insurance business of each class relevant for the purposes of this Part of this Act (other than industrial assurance business), the following shall, by virtue of this subsection, be authorised to carry it on in Great Britain, namely.—

- (a) an incorporated company which, immediately before 3rd November 1966, was carrying it on in Great Britain ;
- (b) a registered society which, immediately before that day, was so carrying it on ; and
- (c) an unincorporated body of persons which, immediately before that day, was so carrying it on ;

(not being, as the case may be, a company, society or body that was then carrying on business in contravention of section 2(1) of the principal Act) and, in the case of industrial assurance business, the following shall, by virtue of this subsection, be authorised to carry it on in Great Britain, namely, —

(i) an incorporated company which, immediately before 3rd November 1966, was carrying it on in Great Britain; and

(ii) a registered society which, immediately before that day, was so carrying it on ;

(not being, as the case may be, a company or society that was then carrying it on in contravention of the said section 2(1).

(2) Subject to the following provisions of this Part of this Act, the Board of Trade may, in the case of insurance business of each class relevant for the purposes of this Part of this Act (other than industrial assurance business), authorise the following to carry it on in Great Britain, namely.—

- (a) an incorporated company ;
- (b) a registered society ; and
- (c) an unincorporated body which, immediately before 3rd November 1966, was carrying on in Great Britain insurance business (whether of that class or not);

and may, in the case of industrial assurance business, authorise an incorporated company and a registered society to carry it on in Great Britain.

62 Provisions for securing initial sufficiency of assets and capital of insurance companies.

(1) The Board of Trade shall not issue under the last foregoing section an authorisation with respect to a company, society or body unless they are satisfied—

- (a) in a case in which the company, society or body is, when the authorisation is applied for, carrying on (whether within or outside Great Britain) general business, and has completed its first financial year, that the value of its assets exceeds the amount of its liabilities by the relevant amount;
- (b) in any other case, that it has assets whose value amounts (after deduction, if it has liabilities, of the amount thereof) to not less than £50,000 ;

nor shall they so issue an authorisation with respect to a company having a share capital unless the amount paid up thereon is not less than £100,000.

(2) For the purposes of paragraph (a) of the foregoing subsection, the relevant amount, in the case of a company, society or body, is (subject to the next following subsection), in each of the cases set out in column 1 of the following Table, the amount specified in relation to that case in column 2 of that Table.

TABLE

Case	Relevant Amount
1. The general premium income of the company, society or body in its last preceding financial year did not exceed £250,000.	£50,000.
2. The said income in that year exceeded £250,000 but did not exceed £2,500,000.	One fifth of the said income in that year.
3. The said income in that year exceeded £2,500,000.	The aggregate of £500,000 and one tenth of the amount by which the said income in that year exceeded £2,500,000.

- (3) In the case of a company, society or body whose last preceding financial year was not a period of twelve months (other than one which has not completed its second financial year and whose first financial year was a period of less than twelve months), the last foregoing subsection shall have effect with the substitution, for each number specified in the Table set out at the end thereof (other than 50,000 and 500,000), of one equal to the product derived by multiplying that number by the relevant fraction and, for each fraction so specified, of one equal to the quotient derived by dividing that fraction by the relevant fraction; and for the purposes of this subsection the relevant fraction is that whose numerator is the number of days in the company's, society's or body's last preceding financial year and whose denominator is 365.
- (4) Subsection (2) (computation of liabilities and general premium income) of section 13 of the principal Act shall apply for the purposes of this section as it applies for the purposes of that.
- (5) This section shall not apply to the issue of an authorisation to a company, society or body in a case in which the Board of Trade are satisfied that the purpose for which the authorisation is sought is to enable the company, society or body to carry on business for the purpose only of insuring persons of a limited class or of insuring persons against risks of a limited category of the class against which insurance cannot, in the absence of the authorisation, lawfully be undertaken by the company, society or body in the course of carrying on business in Great Britain.

63 Provisions for securing risks insured are capable of being borne.

The Board of Trade shall not, under section 61 of this Act, authorise a company, society or body to carry on insurance business of any class unless they are satisfied, as regards each class of risks against which, in the course of carrying on business, the company, society or body insures or proposes to insure persons, that adequate arrangements are in force or will be made for the reinsurance of risks of that class against which persons are, or are to be, insured by the company, society or body in the course of carrying on business or that it is justifiable not to make arrangements for that purpose.

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64 Provisions for preventing unfit persons from being associated with insurance companies.

The Board of Trade shall not issue under section 61 of this Act an authorisation with respect to an incorporated company if it appears to them that—

- (a) an officer of the company or of a body corporate of which it is the subsidiary; or
- (b) a person who is a person in accordance with whose directions or instructions the directors of the company or of a body corporate of which it is the subsidiary (or any of them) are accustomed to act or who is entitled to exercise, or control the exercise of, one third or more of the voting power at any general meeting of the company or of a body corporate of which it is the subsidiary;

is not a fit and proper person to be associated with the company, nor shall they so issue an authorisation with respect to a registered society or an unincorporated body if it appears to them that an officer of the society or body is not a fit and proper person to be associated therewith.

65 Power of Board of Trade to impose requirements with respect to initial conduct of business.

(1) Where the Board of Trade issue under section 61 of this Act an authorisation with respect to a company, society or body, they may, when they issue it, impose on the company, society or body all or any of the following requirements, namely.—

- (a) a requirement that the company, society or body shall not make investments of a specified class and shall, before the expiration of a specified period (or such longer period as the Board may allow), realise investments of that class held by it immediately before the requirement is imposed;
- (b) a requirement that assets of the company, society or body to a value not less at any time than the amount of its domestic liabilities at that time shall be maintained in the United Kingdom;
- (c) a requirement that assets of the company, society or body of a specified description, free from any mortgage or charge and to a value not less at any time than whichever is the greater of the following amounts, that is to say, the amount of a specified proportion of the domestic liabilities of the company, society or body at that time and £50,000, shall be maintained in the United Kingdom and that those assets, or, in the case of any of them to which there are documents of title, those documents, shall be held in the custody of a person approved for the purposes of this section by the Board of Trade ;
- (d) a requirement that the company, society or body shall, at specified times or intervals, furnish to the Board information about specified matters, being, if the Board so require, information verified in a specified manner.

(2) A requirement imposed by virtue of paragraph (b) or (c) of the foregoing subsection may either be so framed as to come into effect immediately after the day on which it is imposed or be so framed as to come into effect after the expiration of a specified period (or such longer period as the Board of Trade may allow).

(3) Assets of a company, society or body held in the custody of a person shall be taken to be held by him in compliance with a requirement imposed by virtue of paragraph (c) of subsection (1) above if, but only if, they are assets in whose case the company, society or body has given him written notice that they are to be held by him in compliance with such a requirement or they are assets into which assets in whose case the company,

society or body has given him such written notice have, by any transaction or series of transactions, been transposed by him on the instructions of the company, society or body; and documents of title to assets of a company, society or body held in the custody of a person shall be taken to be held by him in compliance with such a requirement if, but only if, they are documents in whose case the company, society or body has given him notice that they are to be held by him in compliance with such a requirement.

- (4) A requirement imposed under this section shall continue in force for such period, not extending beyond the expiration of the period of five years beginning with the day on which it is imposed, as the Board may specify when they impose it.
- (5) The Board may rescind a requirement imposed under this section if it appears to them that it is no longer necessary for the requirement to continue in force, and may from time to time vary any such requirement (other than one imposed by virtue of paragraph (b) of subsection (1) above).
- (6) When the Board impose under subsection (1)(c) of this section a requirement on a company, society or body, or rescind or vary a requirement so imposed, they shall forthwith serve—
 - (a) except where the requirement is one imposed on a registered society (other than one registered in Northern Ireland), on the registrar of companies ;
 - (b) in the said excepted case, on the appropriate registrar as defined by section 73(1) of the Industrial and Provident Societies Act 1965;

written notice stating that fact, and, in the case of a notice of the imposition of a requirement, setting out the terms of the requirement, in the case of a notice of the rescission of a requirement, identifying the requirement, and in the case of a notice of a variation of a requirement, identifying the requirement and setting out the terms of the variation.

- (7) A notice served in pursuance of the last foregoing subsection on the registrar of companies shall be open to inspection, and a copy thereof may be procured by any person on payment of such fee as the Board may direct; and every document purporting to be certified by the registrar of companies, or by a person appointed in that behalf by the President of the Board of Trade, to be a copy of such a notice shall be deemed to be a copy of that notice and shall be received in evidence as if it were the original notice, unless some variation between it and the original be proved.
- (8) Section 71(1) of the Industrial and Provident Societies Act 1965 (which empowers the Treasury to make regulations respecting, inter alia, the inspection of documents kept by the appropriate registrar under that Act) shall have effect as if the reference to documents so kept included a reference to notices served in pursuance of subsection (6) above on the appropriate registrar.
- (9) In this section, any reference to a domestic liability is a reference to a liability arising under a contract made in the United Kingdom, or under a contract of insurance made elsewhere, being a contract of insurance in whose case, if only one premium is payable thereunder, the premium, or, if more than one premium is payable thereunder, any of the premiums so payable, is payable or has been paid in the United Kingdom; and in computing the amount of any liabilities for the purposes of this section, all contingent and prospective liabilities shall be taken into account, but not liabilities in respect of share capital.

66 Provisions relating to assets subject to certain requirements imposed under section 65.

- (1) No assets held in the custody of a person in compliance with a requirement imposed by virtue of paragraph (c) of subsection (1) of the last foregoing section, and no documents so held in compliance with a requirement so imposed shall, so long as the requirement is in force, be withdrawn from the custody of that person except with the written consent of the Board of Trade.
- (2) If a mortgage or charge is created by a company, society or body at a time when there is in force a requirement imposed on the company, society or body by virtue of paragraph (c) of subsection (1) of the last foregoing section, being a mortgage or charge conferring a security on any assets which are held in the custody of a person in compliance with the requirement or on any assets documents of title to which are so held in compliance with the requirement, the mortgage or charge shall, to the extent that it confers such a security, be void against the liquidator and any creditor of the company, society or body.

67 Power to impose restrictions on company benefiting by virtue of section 62(5).

- (1) An authorisation under section 61 of this Act in whose case section 62 of this Act does not apply to the issue thereof may contain provision imposing on the company, society or body with respect to which it is issued either or both of the following obligations, namely.—
 - (a) to refrain, in the course of carrying on business of the class to which the authorisation relates, from insuring persons other than of a specified class; and
 - (b) to refrain, as aforesaid, from insuring persons against risks other than of a specified class.
- (2) An obligation binding on a company, society or body by virtue of the foregoing subsection may be discharged by the Board of Trade if it appears to them to be no longer necessary for the obligation to continue in force or may be varied at any time by them.

68 Power of Board of Trade to restrict conduct of insurance business, and effect of exercise of that power.

- (1) The Board of Trade may, in the case of an insurance company to which the principal Act applies, direct that, as regards each class of business relevant for the purposes of this Part of this Act that it is by or under section 61 of this Act authorised to carry on, it shall, in carrying on business of that class, be subject to the restriction appropriate to the carrying on of business of that class if—
 - (a) it appears to the Board that the company has failed to satisfy an obligation to which it is subject by virtue of the principal Act or this Part of this Act;
 - (b) in a case in which the company is carrying on general business, the Board are not satisfied that it is not, by virtue of section 13(1) of the principal Act, to be deemed, for the purposes of section 222 of the Companies Act 1948, to be unable to pay its debts and, in a case in which it is not carrying on such business, they are not satisfied that the value of its assets exceeds the amount of its liabilities (including all prospective and contingent ones, but excluding those in respect of share capital);
 - (c) the Board are not satisfied, as regards a class of risks against which the company insures persons (not being one in the case of which, in the opinion

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of the Board, it is justifiable for there not to be in force arrangements for the reinsurance of risks of that class against which persons are insured by the company in the course of carrying on business), that adequate arrangements are in force for that purpose ; or

- (d) there exists a ground on which the Board would, by section 64 of this Act, be prohibited from issuing, under section 61 of this Act, an authorisation with respect to the company if it were applied for.

(2) The Board of Trade may, in the case of an insurance company to which the principal Act applies, direct that, as regards a class of business relevant for the purposes of this Part of this Act that it is, under section 61(2) of this Act, authorised to carry on, it shall, in carrying on business of that class be subject to the restriction appropriate to the carrying on of business of that class, if it appears to the Board that the company furnished to the Board, when seeking authorisation under that section for the carrying on of business of that class, misleading or inaccurate information.

(3) Before exercising, with respect to a company, the power conferred by subsection (1) or (2) above, the Board shall serve on the company a written notice stating that they are considering exercising the power (specifying it) and.—

- (a) where the power in question is that conferred by subsection (1), specifying the ground on which they are considering exercising it and, if the ground is that specified in paragraph (a), (c) or (d) of that subsection, giving particulars thereof;
- (b) where the power in question is that conferred by subsection (2), giving particulars of the ground on which they are considering exercising it;

and inviting the company to make to the Board, within the period of one month from the date of the service of the notice, any representations that it desires to make with respect to the proposed exercise of the power; and the Board may exercise the power after the expiration of the said period, but before deciding whether or not to do so, shall take into consideration any representations so made by the company and, if it so requests, afford it an opportunity of being heard by the Board within that period.

(4) For the purposes of this section.—

- (a) the restriction appropriate to the carrying on by an insurance company of industrial assurance business is that the company shall not effect a contract of insurance on human life or a contract to pay an annuity on human life;
- (b) the restriction appropriate to the carrying on by an insurance company of liability insurance business is that the company shall not effect or vary any such contract of insurance as is mentioned in subsection (3) of section 59 of this Act;
- (c) the restriction appropriate to the carrying on by an insurance company of marine, aviation and transport insurance business is that the company shall not enter into or vary any such contract as is mentioned in subsection (4) of that section ;
- (d) the restriction appropriate to the carrying on by an insurance company of motor vehicle insurance business is that the company shall not enter into or vary any such contract as is mentioned in subsection (5) of that section;
- (e) the restriction appropriate to the carrying on by an insurance company of ordinary long-term insurance business is that the company shall not effect a contract of insurance on human life or a contract to pay an annuity on human life or any such contract as is mentioned in paragraph (b) or (c) of subsection (6) of that section;

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- (f) the restriction appropriate to the carrying on by an insurance company of pecuniary loss insurance business is that the company shall not enter into or vary any such contract as is mentioned in subsection (7) of that section;
 - (g) the restriction appropriate to the carrying on by an insurance company of personal accident insurance business is that the company shall not enter into or vary any such contract as falls within subsection (8) of that section; and
 - (h) the restriction appropriate to the carrying on by an insurance company of property insurance business is that the company shall not enter into or vary any such contract as is mentioned in subsection (9) of that section.
- (5) An insurance company which contravenes a restriction to which it is subject by virtue of subsection (1) or (2) above shall be guilty of an offence and liable—
- (a) on conviction on indictment, to imprisonment for a term not exceeding two years or to a fine, or to both;
 - (b) on summary conviction, to imprisonment for a term not exceeding three months or to a fine not exceeding £200, or to both.
- (6) A direction given under this section by the Board of Trade may be withdrawn by them if it appears to them to be no longer necessary for the restriction subsisting by virtue thereof to continue in force.
- (7) Notice of the giving under this section of a direction and of the withdrawal of a direction so given shall be published by the Board of Trade in the London and Edinburgh Gazettes and in such other ways as appear to them expedient for informing the public.
- (8) Any notice to be served under this section on a person may be served by post, and a letter containing the notice shall be deemed to be properly addressed if it is addressed to that person at his last known residence or last known place of business in Great Britain.
- 69 Power of Board of Trade to revoke authorisation for purposes of section 60 on company's ceasing to carry on business.**
- (1) Authorisation to a company, society or body, either under subsection (1) of section 61 of this Act or under subsection (2) of that section, to carry on in Great Britain insurance business of a class relevant for the purposes of this Part of this Act may be revoked by the Board of Trade if the company, society or body ceases to carry on in Great Britain such business of that class, and authorisation to a company, society or body under the said subsection (2) to carry on in Great Britain such business of a class so relevant may be so revoked if the company, society or body does not, before the expiration of twelve months beginning with the day next following that on which the authorisation is issued, commence to carry on in Great Britain such business of that class.
- (2) The revocation, under the foregoing subsection, of authorisation to carry on in Great Britain insurance business of a class shall be without prejudice to a subsequent issue, under section 61(2) of this Act, of authorisation to carry on in Great Britain such business of that class.