



Insurance Companies (Reserves) Act 1995

1995 CHAPTER 29

An Act to provide for the maintenance by insurance companies of reserves in respect of certain classes of business; and for connected purposes. [19th July 1995]

Be it enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1 Equalisation reserve

(1) After section 34 of the Insurance Companies Act 1982 there shall be inserted—

“34A General business: equalisation reserve

- (1) Every insurance company to which this section applies which carries on general business of a prescribed description shall maintain, in accordance with regulations made for the purposes of this section, a reserve (in this section referred to as an “equalisation reserve”) in respect of its general business of that description.
- (2) Subject to subsection (3) below, this section applies to any insurance company to which this Part of this Act applies—
 - (a) whose head office is in the United Kingdom;
 - (b) whose business in the United Kingdom is restricted to reinsurance; or
 - (c) whose head office is not in a member State.
- (3) This section does not apply to an insurance company of a description prescribed for the purposes of this subsection.
- (4) Without prejudice to the generality of subsection (1) above, regulations made for the purposes of this section may make provision—
 - (a) as to the circumstances in which, and times at which, amounts are to be placed to, or taken from, an equalisation reserve;

- (b) as to the determination of the amounts to be so placed or taken; and
- (c) as to such other matters incidental to the maintenance of an equalisation reserve as the Secretary of State considers expedient.”

(2) In section 32 of that Act (margin of solvency), after subsection (6) there shall be inserted—

“(7) In applying subsection (5) above, the amount of the company’s liabilities shall be taken to be increased by the amount of any reserve maintained under section 34A below.”

2 Power to modify equalisation reserve requirements in relation to particular companies

(1) Section 68 of the Insurance Companies Act 1982 (power to modify Part II in relation to particular companies) shall be amended as follows.

(2) In subsection (4), for “and 25 to 36” there shall be substituted “25 to 34 and 35 to 36”.

(3) After that subsection there shall be inserted—

“(4A) If regulations made for the purposes of this subsection so provide, the provisions to which this section applies shall also include section 34A above and the provisions of regulations made for the purposes of that section.”

3 Consequential amendments

(1) Schedule 9A to the Companies Act 1985 and Schedule 9A to the Companies (Northern Ireland) Order 1986 (form and content of accounts of insurance companies and groups) shall be amended as follows.

(2) In Note (24) on the balance sheet format set out in Section B—

(a) after “(Liabilities item C.5)” there shall be inserted—

“This item shall comprise the amount of any reserve maintained by the company under section 34A of the Insurance Companies Act 1982.”; and

(b) after “This item shall” there shall be inserted “also”.

(3) For paragraph 50 there shall be substituted—

“Equalisation reserves

50 The amount of any reserve maintained—

(a) under section 34A of the Insurance Companies Act 1982 (“the 1982 Act”), or

(b) under regulation 76 of, and Schedule 14 to, the Insurance Companies Regulations 1994 (“the 1994 Regulations”),

shall be determined in accordance with regulations under section 34A of the 1982 Act or, as the case may be, in accordance with regulation 76 of, and Schedule 14 to, the 1994 Regulations.”.

4 Short title, commencement and extent

(1) This Act may be cited as the Insurance Companies (Reserves) Act 1995.

- (2) Sections 1 and 3 of this Act shall come into force on such day as the Secretary of State may by order made by statutory instrument appoint.
- (3) This Act extends to Northern Ireland.