

---

STATUTORY INSTRUMENTS

---

**1994 No. 1696**

**The Insurance Companies (Third  
Insurance Directives) Regulations 1994**

**PART II**

**AMENDMENTS OF 1982 ACT**

**CHAPTER I**

*RESTRICTION ON CARRYING ON INSURANCE BUSINESS*

*Applications for authorisation*

**Sound and prudent management: criteria which must be fulfilled**

5.—(1) After subsection (1) of section 5 of the 1982 Act (submission of proposals etc.) insert—

“(1A) The Secretary of State shall not issue an authorisation under section 3 above to an applicant which is a UK or non-EC company if it appears to him that the criteria of sound and prudent management are not or will not be fulfilled with respect to the applicant.”

(2) After subsection (3) of that section insert—

“(4) In this Act—

‘criteria of sound and prudent management’ means the criteria set out in Schedule 2A to this Act;

‘EEA State’ means a State which is a Contracting Party to the EEA Agreement but, until the EEA Agreement comes into force in relation to Liechtenstein, does not include the State of Liechtenstein;

‘EFTA State’ means an EEA State which is not a member State;

‘non-EC company’ means an insurance company—

- (a) whose head office is not in a member State;
- (b) which is authorised under section 3 or 4 above; and
- (c) whose business in the United Kingdom is not restricted to reinsurance business;

‘UK company’ means an insurance company—

- (a) which is incorporated in the United Kingdom;
- (b) whose head office is in the United Kingdom;
- (c) which is authorised under section 3 or 4 above;
- (d) whose business is not restricted to business to which subsection (5) below applies; and
- (e) which is not excluded from each Directive mentioned in that subsection by Article 3 of that Directive;

and any reference in this Part to an applicant or body which is a UK or non-EC company includes a reference to an applicant or body which would be such a company if the authorisation sought by it were issued.

- (5) This subsection applies to—
- (a) reinsurance business;
  - (b) business which is excluded from the first long term insurance Directive by Article 2(2) or (3) of that Directive;
  - (c) business which is excluded from the first general insurance Directive by Article 2(2)(b) of that Directive; and
  - (d) business which is exempted from the authorisation requirements contained in this Part of this Act by subsections (2) to (5) of section 2 above.”

(3) After Schedule 2 to the 1982 Act insert Schedule 1 to these Regulations (criteria of sound and prudent management), as Schedule 2A.

### **Combination of long term and general business**

6. For section 6 of the 1982 Act substitute—

**“6 Combination of long term and general business.**

6. The Secretary of State shall not under section 3 above authorise a body to carry on both long term business and general business unless—

- (a) the long term business is restricted to reinsurance; or
- (b) the body is at the time the authorisation is issued already lawfully carrying on in the United Kingdom, otherwise than under paragraph (c) below, both long term business and general business (in neither case restricted to reinsurance); or
- (c) in the case of a body which is a UK company, the general business is restricted to Group 1 of Part II to Schedule 2 to this Act (accident and health) or to any class or part of a class of insurance within that group.”

### **United Kingdom applicants**

7.—(1) In subsection (3) of section 7 of the 1982 Act (United Kingdom applicants), for the words “whose head office is in the United Kingdom” substitute—

- “(a) whose head office is in the United Kingdom; and
- (b) which is not an applicant to which section 5(1A) above applies.”.

(2) Subsections (4) to (8) of that section and Schedule 3 to that Act (which are superseded by regulations 50 and 52 to 54 below) shall cease to have effect.

### **Applicants from other EEA States etc.**

8.—(1) In subsections (1), (2) and (3) of section 8 of the 1982 Act (applicants from other member States), for the words “applicant whose head office is in a member State other than the United Kingdom” substitute the words “applicant to which this section applies”.

(2) For subsection (3A) of that section (1) substitute—

- “(3A) An applicant is one to which this section applies if—

---

(1) Subsection (3A) was inserted by [S.I. 1993/3127](#), reg 2(2).

- (a) its head office is in a member State other than the United Kingdom and it is not an EC company; or
- (b) its head office is in an EFTA State; or
- (c) its head office is in Switzerland and the authorisation sought by it is an authorisation to carry on general business which is not restricted to reinsurance business.”

(3) In subsection (4) of that section, the words “and ‘controller’, ‘manager’ and ‘main agent’ have the same meanings as in section 7 above” (which are superseded by regulation 50 below) shall cease to have effect.

### **Applicants from non-EEA States etc.**

9.—(1) In subsections (1) and (4) of section 9 of the 1982 Act (applicants from outside the Community), for the words “whose head office is not in a member State” substitute the words “to which this section applies”.

(2) In subsection (2) of that section, for the words “member States”, in both places where they occur, substitute the words “EEA States”.

(3) In subsection (5) of that section, for the words “to an applicant whose head office is not in a member State” substitute the words “which is restricted to reinsurance business to an applicant to which this section applies”.

(4) For subsection (5A) of that section(2) substitute—

“(5A) An applicant is one to which this section applies if—

- (a) its head office is not in an EEA State; and
- (b) it is not an applicant to which section 8 above applies.”

(5) In subsection (6) of that section, the words from “In this section” to “except that” (which are superseded by regulation 50 below) shall cease to have effect.

---

(2) Subsection (5A) was inserted by [S.I. 1993/3127](#), reg. 2(3).