STATUTORY INSTRUMENTS

1973 No. 2064

INSURANCE

The Insurance Companies (Identification of Long Term Assets and Liabilities) Regulations 1973

Made - - -	*7th December* 1973
Laid before Parliament	*10th December* 1973
Coming into Operation	*1st January* 1974

The Secretary of State in exercise of the powers conferred upon him by sections 7(3) and (4) and 53(1) of the Insurance Companies Amendment Act 1973(**a**) hereby makes the following Regulations:—

Citation and Commencement

1. These Regulations may be cited as the Insurance Companies (Identification of Long Term Assets and Liabilities) Regulations 1973 and shall come into operation on 1st January 1974.

Interpretation

2.—(1) In these Regulations—

"asset" includes any part of an asset;

"liability" includes any part of a liability;

"current financial year", in relation to a company, means the financial year of the company which ends next after the date on which these Regulations are made;

"next financial year", in relation to a company, means the financial year of the company which begins next after the date on which these Regulations are made;

"base date", in relation to a company, means the last day of its current financial year;

"relevant date", in relation to a company, means the last day of its next financial year;

"other business", in relation to a company, means such of that company's business as is not long term business; and

"the apportionment fraction" has the meaning assigned to it by the Schedule to these Regulations.

(2) The Interpretation Act 1889(**b**) shall apply to the interpretation of these Regulations as it applies to the interpretation of an Act of Parliament.

Application

3.—(1) These Regulations apply to every insurance company to which the Insurance Companies Act 1958(**c**) applies which was carrying on long term business at 25th July 1973 and are made for the purposes of paragraph (*a*) of section 7(3) of the Insurance Companies Amendment Act 1973.

(**a**) 1973 c. 58.
(**b**) 1889 c. 63.
(**c**) 1958 c. 72.

(2) The arrangements to be made during the next financial year by companies to which these Regulations apply for identifying their assets and liabilities as on the relevant date which are attributable to their long term business shall be made in accordance with the provisions of Regulations 4, 5 and 6 of these Regulations.

Assets and liabilities unidentified at the base date

4.—(1) This Regulation applies for the purposes of identifying as attributable to the long term business assets and liabilities on the base date which were then neither identified as attributable to the long term business nor identified as attributable to the other business.

(2) The assets and liabilities to which this Regulation applies may be identified either—

(*a*) by the identification of a proportion equal to the apportionment fraction of any such asset or liability as attributable to the long term business as on the base date; or

(*b*) by the identification and apportionment of such assets and liabilities having regard to their value as on the base date, which in the case of assets shall be a fair market value.

(3) In the case of identification in accordance with paragraph 2(*b*) above the apportionment shall be such that—

(*a*) in the case of assets, the aggregate of the values of the assets so identified when divided by the aggregate of the values of all the assets valued, and

(*b*) in the case of liabilities, the aggregate of the values of the liabilities so identified when divided by the aggregate of the values of all the liabilities valued,

is in each case a fraction equal to the apportionment fraction.

Further identification during next financial year

5.—(1) Assets and liabilities which were already identified as attributable to the long term business on the base date or which are to be so identified as on the base date shall, if they are still assets and liabilities on the relevant date, be identified as attributable to the long term business as on the relevant date.

(2) Assets acquired during the next financial year, to the extent that they are acquired out of receipts of the company during that financial year in respect of its long term business, shall, if they are still assets on the relevant date, be identified to that extent as assets attributable to the company's long term business as on the relevant date.

(3) Where any such assets as are referred to in paragraphs (1) and (2) have been disposed of before the relevant date, the proceeds of that disposal or the relevant part thereof or any assets acquired therewith shall be identified as assets attributable to the company's long term business as on the relevant date.

(4) Any income accruing during the next financial year from any asset of the company which falls to be identified as an asset attributable to the company's long term business shall also be so identified as on the relevant date.

(5) Liabilities of the company assumed during the next financial year, to the extent that they are assumed in the course or for the purposes of the company's long term business, shall, if they are still liabilities on the relevant date, be identified to that extent as liabilities attributable to the company's long term business as on the relevant date.

Records during next financial year

6. The company shall during its next financial year make arrangements for the establishment and maintenance of such books of account and other records as are necessary for identifying as attributable to the long term business as on the relevant date those assets and liabilities which are to be so identified in accordance with the provisions of Regulation 5.

Certificates

7.—(1) Every company to which these Regulations apply shall, not later than two months after the relevant date, deposit with the Secretary of State a certificate that the company has in accordance with these Regulations—

(*a*) apportioned in accordance with the provisions of Regulation 4 any assets and liabilities which were not already identified on the base date as attributable to the long term business or as attributable to the other business of the company;

(*b*) identified as assets attributable to the long term business all those assets which are required to be so identified in accordance with Regulation 5; and

(*c*) established and maintained those books of account and other records which are required to be established and maintained by Regulation 6,

and that certificate shall be signed by at least two directors of the company and the chief executive thereof or, in the case of a company which has no chief executive, by at least two directors and the secretary thereof.

(2) There shall be annexed to every such certificate a report signed by the auditor of the company and stating whether or not in his opinion that certificate was properly given.

Limerick,

Parliamentary Under-Secretary of State for Trade,

7th December 1973. Department of Trade and Industry.

SCHEDULE

The Apportionment Fraction

1. "The Apportionment Fraction" in relation to a company is the amount of that company's Long Term Business Index divided by the aggregate of that amount and the amount of its Other Business Index.

2. "The Long Term Business Index" in relation to a company is the amount by which the amount determined in accordance with paragraph 3 of this Schedule exceeds the amount determined in accordance with paragraph 4 of this Schedule.

3. The amount to be determined in accordance with this paragraph in relation to a company is the aggregate of the following:—

(i) the amount of the long term business fund or funds carried forward in the company's revenue account;

(ii) the amount of any accounting liabilities, reserves or provisions, other than those mentioned in sub-paragraph (i) of this paragraph, shown in the company's balance sheet as attributable only to the company's long term business;

(iii) the amounts of any accounting liabilities, reserves or provisions, other than those mentioned in sub-paragraphs (i) and (ii) of this paragraph, shown or included in the company's balance sheet in relation to which there are records which identify them as attributable only to the company's long term business.

4. The amount to be determined in accordance with this paragraph is the aggregate of the amounts at which assets already identified at the base date as attributable to the company's long term business are shown or included in the company's balance sheet.

5. "The Other Business Index" in relation to a company is the amount by which the amount determined in accordance with paragraph 6 below exceeds the amount determined in accordance with paragraph 7 below.

6. The amount to be determined in accordance with this paragraph is the aggregate of all the amounts shown or included as accounting liabilities, reserves or provisions in the company's balance sheet excluding:—

(i) any amount referred to in paragraph 3 of this Schedule;

(ii) any amount which constituted a reserve, provision or other allowance in respect of depreciation, renewals or diminution in value (whether actual or potential) of assets which were not already identified either as attributable to the long term business or as attributable to the other business on the base date;

(iii) any other amount which corresponded to a legal liability which was not already identified either as attributable to the long term business or as attributable to the other business on the base date.

7. The amount to be determined in accordance with this paragraph is the aggregate of the amounts at which assets already identified at the base date as attributable to the company's other business are shown or included in the company's balance sheet.

8. In this Schedule references to a company's balance sheet or revenue account are references to the balance sheet and revenue account prepared by the company in relation to its current financial year for the purposes of section 4 of the Insurance Companies Act 1958.

EXPLANATORY NOTE

(This Note is not part of the Regulations.)

These Regulations describe the arrangements which, according to section 7(3)(*a*) of the Insurance Companies Amendment Act 1973, are required to be made by insurance companies carrying on long term business for identifying assets and liabilities as attributable to their long term business. The Regulations apply to all insurance companies to which the Insurance Companies Act 1958 applies which were carrying on long term business at 25th July 1973.

The Regulations also require such companies to furnish to the Secretary of State certificates that such arrangements have been made.

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