

# **Interim Prudential Sourcebook**

## **Friendly Societies**

# THE INTERIM PRUDENTIAL SOURCEBOOK FOR FRIENDLY SOCIETIES

## GUIDANCE: THE PURPOSE OF THE PRUDENTIAL RULES FOR FRIENDLY SOCIETIES AND AN OVERALL DESCRIPTION

- 1 The prudential rules for a *friendly society* are to be seen in the context of the Principles for Businesses. These are high level obligations applying to all authorised persons and are set out in the High Level Standards part of the *Handbook* (PRIN).
- 2 So far as a *friendly society* is concerned, the Principles for Businesses are particularly relevant to its internal systems and controls. Principle 3, for example, requires a firm to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems. Principle 4 requires a firm to maintain adequate financial resources.
- 3 In addition to the general obligations placed on a *friendly society*, certain staff of all authorised persons are subject to a number of high level obligations, referred to as Statements of Principle. The FCA has issued a Code of Practice to help determine whether an approved person's conduct has complied with a Statement of Principle. The Statements and the Code are set out in the High Level Standards part of the Handbook (APER).
- 4 One of the features of a *contract of insurance* is the long period of risk the contract may cover. The prudential rules for *friendly societies* seek to protect the *policyholder* against the risk that a *friendly society* will fail to meet a valid claim as it falls due.
- 6 Chapter 2 covers compliance and supervision of *registered branches* and *subsidiaries* and jointly controlled bodies.
- 7 Chapter 3 focuses on systems and controls. *Friendly societies* should also refer to the provisions on senior management arrangements, systems and controls in the High Level Standards part of the *Handbook* (SYSC) and to Annex 3 of *IPRU(FSOC)*.
- 7A *Directive friendly societies* should also refer to the PRA Rulebook: Solvency II firms: Conditions Governing Business and the *Solvency II Regulation* of (EU) 2015/35 of 10 October 2014 which contain systems and control requirements, and the *FCA* will take these into account.
- 8 The rules in Chapter 4 set out the *required margins of solvency* for a *friendly society* having regard to the type of its business.
- 9 The extent to which an asset may be taken into account for prudential purposes, and the method of valuing it, is determined in accordance with the rules in the Appendices. It is a fundamental

part of the approach to prudential regulation for *friendly societies* that the rules limit the assets which are 'admissible' for solvency purposes and specify the methods of valuation. Similarly, the amount of a liability is determined in accordance with the rules in the Appendices.

- 11 As part of the continuing supervision of a *friendly society*, the rules in Chapter 5 require the *friendly society* to prepare certain accounts and statements in accordance with the rules and deposit them with the *PRA*.
- 12 Chapter 7 contains the definitions used throughout *IPRU(FSOC)* and some general provisions.
- 13 Chapter 8 contains transitional provisions.
- 14 The Appendices are part of the rules.
- 15 *FCA Guidance* is set out in the Annexes and *friendly societies* may also wish to refer to the guidance in *IPRU(INS)*, *GENPRU* and *INSPRU*.

# INTERIM PRUDENTIAL SOURCEBOOK FOR FRIENDLY SOCIETIES

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# 1 Chapter 1: Application

## APPLICATION

1.1 These rules apply to a *non-directive friendly society* which has permission under the *Act* to effect or carry out *contracts of insurance*.

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1.1A The rules in Chapters 1, 2, 3 (with the exception of rule 3.1(7)), rule 4.20, rule 5.1A, Chapters 7 and 8 also apply to a *directive friendly society* which has permission under the *Act* to effect or carry out *contracts of insurance*.

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*Actions for damages*

1.2 Section 138D(2) of the *Act* does not apply.<sup>1</sup>

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*Restriction of business to insurance*

<sup>1</sup> A private person therefore has no right of action under this section against a *friendly society* for breach of the prudential rules.

## 2 Chapter 2: Integrity, Skill, Care and Diligence

### LEGAL COMPLIANCE

2.1 A *friendly society* must take reasonable steps to ensure that –

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- (a) it does not carry on activities beyond its powers;
- (b) it and its *registered branches* comply with –
  - (i) any requirements of or under the *1992 Act* or the *Act* which relate to the conduct of its *insurance business*, and
  - (ii) any requirement (whether of the law of any part of the United Kingdom or of the law of another *EEA State*) which gives effect to the *insurance Directives* or is otherwise applicable to the insurance activities of the *friendly society*.

### SUPERVISION OF SUBSIDIARIES AND JOINTLY-CONTROLLED BODIES

2.2 (1) A *friendly society* must supervise the activities –

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- (a) of any *subsidiary* or of any body of which the *friendly society* has joint control; and
- (b) of any *registered branch* of the *friendly society*;

with due care and diligence, having due regard to the interests of its *policyholders* and without detriment to the conduct of the *friendly society's* activities.

2.3 (1) A *friendly society* should ensure that its *subsidiaries, jointly controlled bodies, or registered branches* are –

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- (a) directed and managed with prudence, integrity and adequate professional skill; and
  - (b) comply with any applicable requirements of or under the *Act* and the *1992 Act*.
- (2) Contravention of (1) may be relied upon as tending to establish contravention of rule 2.2.

### 3 Chapter 3: Management and Control

#### ACCOUNTING RECORDS AND SYSTEMS OF CONTROL

- 3.1 (1) Every *friendly society* must and must procure that every *registered branch* –
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- (a) keep (or keeps) adequate accounting records; and
- (b) establish and maintain (or establishes and maintains) adequate systems of control of its business and records and of inspection and report.
- (2) The accounting records must be sufficient to –
- (a) comply with the requirements of section 68 of the *1992 Act*; and
- (b) enable the *friendly society* acting through the *committee* properly to discharge the duties imposed on it and them by or under the *1974 Act*,
- as the case may be.
- (3) The systems of control which are to be established and maintained by a *friendly society* or a *registered branch* are systems for the control of the conduct of their activities in accordance with the *Act* and the *1992 Act* and the decisions of the *committee*, and for the control of the accounting and other records of its activities.
- (4) The system of inspection and report which is to be established and maintained by a *friendly society* or *registered branch* is a system of inspection on behalf of and report to the *committee* on the operation of the systems of control required by (1)(b).
- (5) The systems of control and of inspection and report must be adequate to enable the *committee* properly to discharge the duties imposed on it by or under the *Act*, the *1992 Act* or the *1974 Act* and the functions of direction of the affairs of the *friendly society* or *registered branch*. No such system of control will be treated as adequate unless there is kept available to the *committee* a detailed statement in writing of the system as in operation for the time being.
- (6) Without prejudice to the generality of (5), the systems of control and of inspection and report must be such as to secure that the activities of the *friendly society* or *registered branch* are so conducted and its records so kept that –
- (a) the information necessary to enable the *committee* to discharge its duties and functions is sufficiently accurate, and is available with sufficient regularity or at need and with sufficient promptness, for those purposes; and

- (b) the information regularly obtained by or furnished to the *appropriate regulator* under or for the purposes of this *Act* or the *1992 Act* is sufficiently accurate for the purpose for which it is obtained or furnished and is furnished at the regularity required by or under the *Act* or the *1992 Act*.
- (7) Every *non-directive friendly society* must within the period of 6 months beginning with the end of each *financial year* make and send to the *appropriate regulator* a statement of their opinion whether the requirements of this rule have been complied with in respect of that year by the *friendly society* and the statement must be signed by the chairman on behalf of the *committee* and by the chief executive.<sup>3</sup>

<sup>3</sup>See SUP 16.3.6 to 16.3.10R for rules on the submission of periodic reports.

## 4 Chapter 4: Financial Prudence

### II. ADEQUACY OF ASSETS

4.11 Except for rule 4.24, which applies to all *friendly societies*, the remaining rules in this chapter do not apply to *registered friendly societies*.

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4.12 (1) A friendly society must secure-

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- (a) that its liabilities under *contracts of insurance*, other than liabilities in respect of *linked benefits*, are covered by assets of appropriate safety, yield and marketability having regard to the *classes of business carried on*; and
  - (b) without prejudice to the generality of (a), that its investments are appropriately diversified and adequately spread and that excessive reliance is not placed on investments of any particular category or description.
- (2) A *friendly society* which has entered into a *linked long-term contract* must secure that, as far as practicable, its liabilities under the contract in respect of *linked benefits* are covered as follows-
- (a) if those benefits are linked to the value of units in an undertaking for collective investments in transferable *securities* or to the value of assets contained in an internal fund, by those units or assets;
  - (b) if those benefits are linked to a share index or other reference value not mentioned in (a), by units which represent that reference value, or by assets of appropriate safety, yield and marketability which correspond, as nearly as may be, to the assets on which that reference value is based<sup>6</sup>.
- (3) A *friendly society* which has entered into a *linked long-term contract* must also secure that its liabilities under the contract in respect of *linked benefits* which are not covered by contracts of reinsurance are covered by assets of a description contained in COBS 21.3.1R.
- (4) In (3), "*linked long-term contract*" does not include a *pension fund management contract* unless it is combined with a *contract of insurance* covering either conversation of capital or payment of a minimum interest.

<sup>6</sup>See paragraph 2 of Guidance Note 4.4 IPRU (INS).

### V. SEPARATION BETWEEN LONG-TERM INSURANCE BUSINESS ASSETS AND OTHER ASSETS

4.20

**A friendly society which has permission to carry on *long-term insurance business* must –**

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- (a) **secure that the assets representing the funds maintained by the *friendly society* in respect of its *long-term insurance business* are only applicable for the purposes of that business; and**
- (b) **ensure that adequate arrangements are in force for securing that transactions affecting the assets of the *friendly society* (other than transactions outside its control) do not operate unfairly between the assets representing the funds maintained by the *friendly society* in respect of its *long-term insurance business* and the other assets of the *friendly society*.**

## 7 Chapter 7: Definitions

### PART I DEFINITIONS

7.1 In this Part of the *IPRU(FSOC)*, unless the contrary intention appears, the following definitions apply –

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**Accounts Regulations** means the Friendly Societies (Accounts and Related Provisions) Regulations 1994, S.I. 1994/1983;

**accumulating with-profits policy** means a *with-profits policy* which has a readily identifiable current benefit, whether or not this benefit is currently realisable, which is adjusted by an amount explicitly related to the amount of any *premium* payment and to which additional benefits are added in respect of participation in profits by additions directly related to the current benefit, or a policy with similar characteristics;

**1974 Act** means the Friendly Societies Act 1974;

**1992 Act** means the Friendly Societies Act 1992;

**Accounts Directives** means Council Directives 78/660/EEC for companies, 91/674/EEC for insurance companies, 86/635/EEC for banks and 83/349/EEC for consolidated accounts;

**ancillary risk**, in relation to a *friendly society* with permission under the *Act* to insure a principal risk belonging to one *class of general insurance business*, means a risk included in another such *class* which is –

- (a) connected with the principal risk;
- (b) concerned with the object which is covered against the principal risk; and
- (c) the subject of the same contract insuring the principal risk;

**annual contribution income** means, in relation to a *friendly society's long-term insurance business*, the income of the *friendly society* in a *financial year* without any deduction for reinsurance cessions;

**annuities on human life** does not include superannuation allowances and annuities payable out of any fund applicable solely to the relief and maintenance of persons engaged or who have been engaged in any particular profession, trade or employment, or of the dependants of such persons;

**approved counterparty** means any of the following –

- (a) an *approved credit institution*
- (b) a person who is exempt pursuant to section 43 of the Financial Services Act 1986
- (c) a person who is permitted under the *Act* to conduct investment business of a kind which includes entering into *unlisted derivative contracts* as principal; or
- (d) in respect of a transaction involving a new issue of *securities* which are to be *listed*, the *issuer* or an *approved investment firm* acting on behalf of the *issuer*;

**approved credit institution** means an institution recognised or permitted under the law of an *EEA State* to carry on any of the activities set out in Annex 1 to the *CRD*;

**approved derivative contract** has the meaning given in 13(6) of Appendix 4;

**approved investment firm** means an investment firm as defined in article 2 of Council Directive 93/22/EEC of 10 May 1993 on investment services in the *securities* field;

**approved securities** means any of the following –

- (a) any *securities* issued or guaranteed by, or the repayment of the principal of which, or the interest on which is guaranteed by, and any loans to or deposits with, any of the following, namely, any government, public or local authority or nationalised industry or undertaking, which belongs to Zone A as defined in the *Banking Coordination Directive*; and
- (b) any loan to, or deposit with, an *approved financial institution*;

**asset valuation rules** are the rules in Appendix 4;

**associate** means –

- (a) the wife or husband or *minor son* or *daughter* of that person;
- (b) the trustees of any settlement under which that person has a life interest in possession, or, in Scotland, a life interest;
- (c) any *company* of which that person is a director; or
- (d) any person who is an employee or partner of that person; and

if that person is a *company* –

- (i) any director of that *company*,
- (ii) any subsidiary undertaking of that company, or
- (iii) any director or employee of any such *subsidiary undertaking*; and

if that person has made an agreement or arrangement with any other person –

- (iv) with respect to the acquisition, holding or disposal of *shares* or other interests in the *company* concerned or another *company* of which it is a *subsidiary undertaking*, or business, identifying monetary amounts and the percentages of premiums.
- (v) under which they undertake to act together in exercising their voting power in relation to the *company* concerned or another *company* of which it is such an undertaking,

that other person;

**business amount** means –

- (a) for a *friendly society* carrying on only *general insurance business*, the *general insurance business amount*;
- (b) for a *friendly society* carrying on only *long-term insurance business*, the *long-term insurance business amount*; and
- (c) for a *friendly society* carrying on both *general insurance business* and *long-term insurance business*, in the case of its *general insurance business assets*, the *general insurance business amount* and in the case of its *long-term insurance business assets*, the *long-term insurance business amount*;

**charges for management** means amounts chargeable in respect of the management of an *internal linked fund* in accordance with the rules of the *friendly society* and the conditions of those *contracts of insurance* under which *property linked benefits* are linked to the value of the fund or units of the fund;

**claim** means a claim against a *friendly society* under a contract of insurance;

**claims-made policy** means a contract of liability insurance which provides that no liability is incurred by the *friendly society* in respect of an incident unless –

- (a) the incident is notified to the *friendly society* (or its agent or representative), and
- (b) such notification is received by the *friendly society* (or its agent or representative) before the end of a specified *period* which is no longer than three years following the final date for which cover is provided under the contract;

**claims management costs** refers to those *claims management costs* required by the *Accounts Regulations* (note (4) to the income and expenditure account format) to be included in *claims* incurred other than those which, whether or not incurred through the employment of the *friendly society's* own staff, are directly attributable to particular *claims*;

**class**, in relation to *insurance business*, means a class of *long-term insurance business* or a class of *general insurance business* listed in Part III of chapter 7;

**collective investment scheme** has the meaning given in section 235 of the *Act*;

**commission payable** means the amounts recorded during a *financial year* of a *friendly society* as due to intermediaries and cedants in respect of the inception, amendment or renewal of *contracts of insurance*, whether or not paid during that year;

**commitment** means a commitment represented by *insurance business* of any of the *classes* of *long-term insurance business* specified in Part III of chapter 7

**committee** means the committee of management or other directing body of a *friendly society* or *registered branch*;

**company** includes a body corporate;

**connected**, in relation to two bodies corporate (A and B), means that:

- (a) B is a *related undertaking* of A;
- (b) B is a *participating undertaking* in A; or

(c) B is a *related undertaking* of a *participating undertaking* in A;

**connected individual** of a *friendly society* means a person who –

- (a) controls, or is a partner of a person who controls, the *friendly society*; or
- (b) is a member of the *committee* of the *friendly society* or the wife or husband or a *minor son* or *daughter* of such a member,

and for the purposes of the above a person controls a *company* if he is –

- (c) a person in accordance with whose directions or instructions the *committee* is accustomed to act; or
- (d) a person who either alone or with any *associate* or *associates* is entitled to exercise, or control the exercise of, 15 % or more of the voting power at any general meeting of the *friendly society*;

**connected-party transaction** means the transfer of assets or liabilities or the performance of services by, to or for a *connected* person irrespective of whether or not a price is charged;

**contract for differences** means a contract which falls within article 85 of the Financial Services and Markets Act (Regulated Activities) Order 2001;

**counterparty** in relation to a *friendly society* means –

- (a) any one individual;
- (b) any one unincorporated body of persons;
- (c) any one *company* not being a member of a *group*;
- (d) any group of *companies* excluding any *companies* within the *group* which are *subsidiary undertakings* of the *friendly society*; or
- (e) any government of a State together with all the public bodies, local authorities or nationalised industries of that State,

in which the *friendly society* has made investments or against whom it has rights whether in pursuance of a contract entered into by the *friendly society* or otherwise;

**court** except in relation to the winding-up of an *incorporated friendly society*, means –

- (a) in the case of a body whose registered office is situated in England and Wales or in Northern Ireland, the county *court* for the district in which the office is situated;
- (b) in the case of a body whose registered office is situated in Scotland, the sheriff in whose jurisdiction the office is situated; and, in relation to the winding-up of an *incorporated friendly society*, means the court which has jurisdiction under the applicable winding-up legislation to wind-up the *friendly society*;

**daughter** includes stepdaughter;

**debt** includes an obligation to pay a sum of money under a negotiable instrument;

<b>debt security</b> includes bonds, notes, debentures and debenture stock;
<b>debts due or to become due</b> includes any <i>debts</i> which would become due if the <i>friendly society</i> were to exercise any right to which it is entitled to require payment or repayment of the same;
<b>deferred acquisition costs</b> means those items referred to at G II under the heading "Assets" in Part I of Schedule 2 to the <i>Accounts Regulations</i> ;
<b>dependant</b> of a <i>friendly society</i> means –  (a) a <i>subsidiary</i> of that <i>friendly society</i> ; or  (b) a body jointly controlled by that <i>friendly society</i> and another person, within the meaning of section 13 of the <i>1992 Act</i> ,  the value of whose <i>shares</i> is taken to be the value of its <i>surplus assets</i> under paragraph 3(1) or (2)(a) of Appendix 4;
<b>deposit back arrangement</b> , in relation to a contract of reinsurance, means an arrangement whereby an amount is deposited by the reinsurer with the cedant;
<b>derivative contract</b> means a <i>contract for differences</i> , a <i>futures contract</i> or an <i>option</i> and includes a contract under which the amount payable by either party is calculated by reference to the amortised value of any property;
<b>direct insurance business</b> has the meaning given in IPRU(INS);
<b>diversified contract for differences</b> means a <i>contract for differences</i> whose value does not depend to a significant extent on fluctuations in the value of, or the income from, assets of any of the descriptions in B19 to B28, B30 or B32 to B38 of Part II of this Annex and <i>undiversified contract for differences</i> must be construed accordingly;

<b>EEA insurer</b> has the meaning given in IPRU(INS);
<b>EEA State in which a risk or commitment is situated</b> in relation to a <i>contract of insurance</i> means –  (a) where the person who entered into the contract with the <i>friendly society</i> on any date is an individual, the <i>EEA State</i> where he has his habitual place of residence on that date; and  (b) in any other case, the <i>EEA State</i> where the establishment of that person is situated on that date;
<b>equivalent securities</b> means <i>securities</i> issued by the same <i>issuer</i> being of an identical type and having the same nominal value, description and amount;
<b>established surplus</b> has the meaning given in 6(7) of Appendix 5;
<b>excess concentration with a number of counterparties</b> has the meaning given in B17 of Annex B to Appendix 4;
<b>exposure</b> –  (a) in relation to assets, means an amount determined in accordance with B4 to B12 of

Annex B to Appendix 4;

- (b) in relation to a *counterparty*, means an amount determined in accordance with B13 to B17 of Annex B to Appendix 4;

**financial year** means the period of 12 months ending with 31 December and the initial *financial year* of a *friendly society* must be such period as expires at the end of the calendar year in which it is registered under the *1974 Act* or incorporated under the *1992 Act* and the final *financial year* of the *friendly society* must be such shorter period than 12 months as expires on the date as at which the *friendly society* makes up its final accounts;

**fixed interest securities** means *securities* which under their terms of issue provide for fixed amounts of interest;

**FSC return** means any of FSC1 return, FSC2 return and FSC3 return;

**Futures contract** means a contract which falls within article 84 of the Financial Services and Markets Act (Regulated Activities) Order 2001;

**general insurance business** means *insurance business* of any of the *classes* of general insurance specified in Part III of chapter 7;

**general insurance business amount** means the higher of –

(a) the total of:

(i) the *friendly society's insurance liabilities* (net of reinsurance ceded) in respect of *general insurance business* less *debts*:-

(A) which are due from *dependants* to which paragraph B11C of Part 1 of Annex B of Appendix 4 relates,

(B) which are not reinsurance which has already been netted off the *friendly society's insurance liabilities*, and

(C) which are included in *general insurance business assets*;

which amount is to be zero where the *debts* are greater than the *friendly society's insurance liabilities*, and

(ii) an amount equal to whichever is the greater of 400,000 Euro or 20% of the *general premium income*; or

(b) such other amount as the *friendly society* may select not exceeding:-

(i) the value of its *general insurance business assets* as determined in accordance with the asset valuation rules;

(ii) excluding *debts* due from *dependants* to which paragraph B11C of Part 1 of Annex B of Appendix 4 relates and *reinsurance recoveries*; and

(iii) less *debts* due to *dependants* of the *friendly society* included in *general insurance business liabilities* (excluding *reinsurance recoveries*, other than amounts due or that relate to claims already paid by the *dependant*) except that for a *dependant* to which paragraph B11C of Part 1 of Annex B of Appendix 4 does not relate, the amount deducted will not exceed the

*dependant's surplus assets (or proportional share);*

**general insurance business assets** means assets of a *friendly society* or *insurance company* which are, for the time being, identified as representing the *general insurance business* fund or funds maintained by that body in respect of its *general insurance business*, and

**general insurance business liabilities** means liabilities of the body which are attributable to its general insurance business;

**general premium income** means, in any year, the net amount, after deduction of any *premiums* payable for reinsurance, of the *premiums receivable* in that year in respect of all *insurance business* other than *long-term insurance business*;

**gross premiums**, in relation to a *friendly society* and a financial year –

- (a) means *premiums* after deduction of discounts, refunds and rebates of *premium* but before deduction of *premiums* for reinsurance ceded and before deduction of *commission payable* by the *friendly society*; and
- (b) includes *premiums receivable* by the *friendly society* under reinsurance contracts accepted by the *friendly society*;

**gross premiums earned** in respect of a *financial year* means such proportion of *gross premiums receivable* as is attributable to risk borne by the *friendly society* during that *financial year*;

**group** has the meaning given in section 262(1) of the Companies Act 1985 where applicable, otherwise section 474(1) of the Companies Act 2006;

**guarantee fund** has the meaning given in rule 4.4(1);

**hybrid linked contract** means a *contract of insurance* the effecting of which constitutes the carrying on of *long-term insurance business* and which contains an option or options such that at some future time the contract may, according to how such option or options are exercised, constitute either a *linked contract* or a *non-linked contract*;

**implicit items** has the meaning given in rule 4.7(3);

**incepted** refers to the time when the liability to risk of a *friendly society* under a *contract of insurance* commenced and, for this purpose, a contract providing continuous cover is deemed to commence on each anniversary date of the contract;

**initial margin** in respect of a *derivative contract* or a contract or *asset* having the effect of a *derivative contract* means assets which, before or at the time the contract is entered into, are transferred by the *friendly society* subject to a condition that such assets (or, where the assets transferred are *securities, equivalent securities*) will be returned to the *friendly society* on completion of that contract;

**insurance company** means a person or body of persons (whether incorporated or not) carrying on *insurance business* other than a *friendly society*;

**insurance Directives** means –

- (a) the *first non-life Directive*, the *second non-life Directive* and the *third non-life Directive*, and such other Directives as make provision with respect to the business of direct insurance other than long-term assurance; and
- (b) the *Consolidated Life Directive*, and such other Directives as make provision with respect to the business of direct long-term assurance;

**insurance holding company** means a parent undertaking whose main business is to acquire and hold *participations in subsidiary undertakings*, where

- (a) those *subsidiary undertakings* are exclusively or mainly *insurance undertakings*;
- (b) at least one of those *subsidiary undertakings* is a *UK insurer* or an *EEA firm* that is a *regulated insurance entity*; and
- (c) it is not a *mixed financial holding company*.

**insurance liabilities** means amounts calculated in accordance with *liability valuation rules* in respect of those items shown at C and D under the heading "Liabilities" in Part I of Schedule 2 to the *Accounts Regulations*;

**intermediary** means a person who in the course of any business or profession invites other persons to make offers or proposals or to take other steps with a view to entering into *contracts of insurance* with a *friendly society*, other than a person who only publishes such invitations on behalf of, or to the order of, some other person;

**internal linked fund** means an account to which a *friendly society* appropriates certain *linked assets* and which may be sub-divided into units the value of which is determined by the *friendly society* by reference to the value of those *linked assets*;

**issuer** in respect of a *collective investment scheme* means the manager or operator of the scheme and in respect of an interest in a limited partnership (other than a *limited partnership scheme*) means the partnership;

**jointly controlled body** is to be construed in accordance with section 13 of the 1992 Act;

**liability valuation rules** are the rules in Appendix 5;

**linked assets** means, in relation to a *friendly society*, *long-term insurance business assets* of the *friendly society* which are, for the time being, identified in the records of the *friendly society* as being assets by reference to the value of which *property linked benefits* are to be determined;

**linked benefits**, in relation to a *linked long-term contract*, means benefits payable to the *policyholder* which are determined by reference to the value of or the income from property of any description (whether or not specified in the contract) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified);

**linked contract** means a contract falling within *class III*, and *non-linked contract* must be construed accordingly;

**linked long-term contract** means a *contract of insurance*, the effecting of which constitutes the carrying on of *long-term insurance business*, and under which *linked benefits* are payable;

**listed** means, in relation to an investment –

- (a) that the investment is included in an *official list*, or
  - (b) that facilities have been granted for dealing in that investment on a *regulated market*,
- and *unlisted* must be construed accordingly;

**long-term insurance business** means *insurance business* of any of the *classes* of long-term insurance specified in Part III of chapter 7;

**long-term insurance business amount** means the higher of –

- (a) the total of:
  - (i) the *friendly society's insurance liabilities* in respect of *long-term insurance business* (net of reinsurance ceded and the amount of any deposit back under a *deposit-back arrangement* in relation to a contract of reinsurance in respect of *long-term insurance business*;
    - (A) excluding *property linked liabilities*; and
    - (B) less:
      - (i) the amount of any *debt*, that is a *long-term insurance business asset* (excluding reinsurance ceded which has already been deducted from the *friendly society's insurance liabilities*), due from a *dependant* to which paragraph B11C of Part 1 of Annex B of Appendix 4 relates, and
      - (ii) the amount of any *implicit item* valued in accordance with a waiver under section 148 of the *Act*;
  - (which amount is to be zero where the result is negative); and
  - (ii) the amount of the *required minimum margin* for its *long-term insurance business* determined in accordance with rules 4.2 and 4.5 and Appendix 1 (or, in the case of a *friendly society* whose head office is not in the United Kingdom, that amount which would apply if its head office were in the United Kingdom); or
- (b) such other amount as the *friendly society* may select not exceeding the value of its assets determined in accordance with the *asset valuation rules*,
  - (i) excluding:
    - (A) reinsurance recoveries;
    - (B) assets required to match property linked liabilities;
    - (C) *debts* due from *dependants* of the *friendly society* to which paragraph B11C of Part 1 of Annex B of Appendix 4 relates; and
    - (D) if the *friendly society* is a *general insurer*, *general insurance business assets*, and
  - (ii) less:

(A) if the *friendly society* is a *general insurer*, debts due to dependants of the *friendly society* included in *long-term insurance business liabilities* (excluding reinsurance recoveries (other than amounts due or that relate to claims already paid by the dependant)), or

(B) if the *friendly society* is not a *general insurer*, debts due to dependants of the *friendly society* (excluding *reinsurance recoveries* (other than amounts due or that relate to claims already paid by the *dependant*)),

but for the purposes of (ii) above, for *dependants* to which paragraph B11C of Part 1 of Annex B of Appendix 4 does not relate, the amount deducted will not exceed the *dependant's surplus assets* (or *proportional share*);

except that for the purposes of determining the *permitted asset exposure limit* under paragraph B3 of Annex B of Appendix 4, *index linked liabilities* must also be excluded from (a)(i) and assets required to match such liabilities must be also excluded from (b);

**long-term insurance business assets** means assets of a *friendly society* or *insurance company* which are, for the time being, identified as representing the *long-term insurance business* fund or funds maintained by that body in respect of its *long-term insurance business*; and

**long-term insurance business liabilities** means liabilities of the body which are attributable to its long-term insurance business;

**long-term gilt yield** means the annualised equivalent of the 15 year medium coupon yield for United Kingdom Government fixed-interest *securities* jointly compiled by the Financial Times, the Institute of Actuaries and the Faculty of Actuaries;

**long-term liabilities** means liabilities of a *friendly society* arising under or in connection with contracts for *long-term insurance business* including *liabilities* arising from *deposit back arrangements*;

**management expenses** means all expenses, other than commission, incurred in the administration of a *friendly society* or its business;

**margin of solvency** has the meaning given in rule 4.1(4);

**market value** means the market value as determined in accordance with generally accepted accounting concepts, bases and policies or other generally accepted methods appropriate to societies;

**material connected-party transaction** means a *connected-party transaction* for which (together with any similar transactions):

(a) the price actually paid or received for the transfer of assets or liabilities or the performance of services; or

(b) the price which would have been paid or received had that transaction been negotiated at arm's length between unconnected parties,

exceeds:

(c) in the case of a *friendly society* that carries on either general insurance business or long-term insurance business, but not both, 5% of the general business amount or long-term business amount, as applicable; or

- (d) in the case of a *friendly society* that carries on both types of business either –
- (i) 5% of the *long-term business amount* where the transaction is in connection with the *friendly society's long-term business*; and
  - (ii) in other cases, 5% of the *general business amount*;

**mathematical reserves** means the provision made by a *friendly society* to cover liabilities (excluding liabilities which have fallen due and liabilities arising from *deposit back arrangements*) arising under or in connection with contracts for *long-term insurance business*;

**memorandum** has the meaning given by paragraph 4(3) of Schedule 3 to the 1992 Act;

**minimum guarantee fund** has the meaning given in rule 4.4(2);

**minor**, in relation to Scotland, means not having attained the age of sixteen;

**modifications**, in relation to *enactments*, includes additions, omissions and amendments;

**non-directive incorporated friendly society** means a *non-directive friendly society* which is an *incorporated friendly society*;

**non-directive registered friendly society** means a *non-directive friendly society* which is a *registered friendly society*;

**non-linked contract** see *linked long term contract*;

**non-profit policy** see *with-profits policy*;

**notional required minimum margin** means:

- (a) in the case of an *insurance undertaking* (other than a *pure reinsurer*) that has its head office in a designated state or territory, the amount of the required minimum margin or general insurance capital requirement, or the equivalent requirement under the regulatory requirements of that state or territory;
- (b) in the case of a *pure reinsurer* that has its head office in a *designated state or territory*, the amount that would be the *required minimum margin* or *general insurance capital requirement*, or the equivalent requirement under the regulatory requirements of that state or territory, if the regulatory requirements of that state or territory applicable to undertakings carrying on *direct insurance business* were applied to the *pure reinsurer* (whether they are or not); and
- (c) in all other cases, the amount of the *required minimum margin* or *general insurance capital requirement* that would apply if the *insurance undertaking* were an *insurer* (other than a *pure reinsurer*), with its head office in the *United Kingdom* (whether it is or not)

**officer** means –

- (a) in relation to a registered friendly society or a registered branch –

- (i) a trustee;
  - (ii) the treasurer, secretary and chief executive (however described);
  - (iii) a member of the *committee*; and
  - (iv) a person appointed by the *friendly society* or branch to sue or be sued on its behalf; or
- (b) in relation to an *incorporated friendly society*, a member of the *committee*, the chief executive (however described) and the secretary;

**option** means an *option* which falls within article 83 of the Financial Services and Markets Act (Regulated Activities) Order 2001 or a *warrant*;

**ordinary long term insurance business** means long-term *insurance business* which is not industrial assurance business;

**participating undertaking** means an *undertaking* which is either a *parent undertaking* or other undertaking which holds a participation in or is linked by a consolidation Article 12(1) relationship with the undertaking in question

**participation** means:

- (a) the holding of a participating interest within the meaning of section 421(2) of the *Act*, or
- (b) the holding, directly or indirectly, of 20% or more of the voting rights or capital;

**partnership pension society** means an unincorporated *friendly society*, which satisfies the following conditions –

- (a) the purpose of the society is to effect or carry out unit-linked contracts to pay *annuities on human life*, which are approved by the Commissioners for HM Revenue and Customs under Section 620 of the Income and Corporation Taxes Act 1988;
- (b) the assets of each member of the society are separately identifiable;
- (c) the assets of each member of the society are invested solely or primarily by him or in accordance with his instructions;
- (d) the value of each member of the society's assets is dependent entirely on the performance of those assets;
- (e) no member of the society has a contract which comprises, or includes, a cash guarantee; and
- (f) no member of the society has a contract which is an annuity in payment.

**pension fund management contract** means a contract to manage the investments of pension funds (other than funds solely for the benefit of the officers or employees of the person effecting or carrying out the contract and their dependants or, in the case of a *company*, partly for the benefit of officers or employees and their dependants of its *subsidiary* or holding company or a *subsidiary* of its holding company);

**period** means –

- (a) for the purposes of completion of the FSC2 or FSC3 return, the date since the last return or three years if there was no previous actuarial investigation; and
- (b) for the purpose of completion of the FSC1 return the *financial year* to which the return relates;

**permanent health contract** means a contract falling within *class IV*;

**permitted asset exposure limit** for assets of any of the descriptions in Part II of Annex B of Appendix 4 is the percentage of the *business amount* set out opposite the relevant paragraph; in the case of an asset which is not covered by any of the descriptions in Part II of Annex B of Appendix 4 (other than a *derivative contract*), the permitted asset exposure limit is nil;

**permitted counterparty exposure limit** means –

- (a) where the *counterparty* is an individual or an unincorporated body of persons, 5% of the *business amount*;
- (b) where the *counterparty* is a *counterparty* of the type mentioned in (e) in the definition of *counterparty*, 5% of the *business amount*;
- (c) where the counterparty is a body corporate or group, each of
  - (i) 20% of the *business amount* or £2 million, whichever is the larger,
  - (ii) 10% of the *business amount* where the *exposure* arises otherwise than by reason that *debts* are due, or are to become due, as a result of *short term deposits* made with an *approved credit institution*, and
  - (iii) 5% of the *business amount* where the *exposure* is other than to bodies which are *approved counterparties*;
- (a) satisfies the conditions in 13(6) to 13(8) of Appendix 4 except that the references in 13 of Appendix 4 to "an asset for the valuation of which provision is made in this chapter" is construed as reference to *permitted connected property*;

**premium** includes a contribution in respect of an insurance benefit and the consideration for the granting of an annuity;

**proper valuation** means, in relation to land, a valuation made by a qualified valuer not more than three years before the *relevant date* which determined the amount which would be realised at the time of the valuation on an open market sale of the land free from any mortgage or charge;

**property linked benefits** means benefits other than index linked benefits –

- (a) provided for under a *linked long-term contract*; and
- (b) determined by reference to the value of, or income from, property of any description (whether specified in the contract or not);

**property linked contract** means a linked contract conferring property linked benefits;

**property linked liabilities** means insurance liabilities in respect of property linked benefits;

**proportional share** means, in relation to a *related undertaking*, the percentage which is the percentage holding (directly or indirectly) in the *related undertaking's* capital;

**provision of insurance** by a directive friendly society in the United Kingdom or any other EEA State means –

- (a) the covering (otherwise than by way of reinsurance) of a risk situated there through an establishment in another *EEA State* ('the provision of general insurance'); and
- (b) the covering (otherwise than by way of reinsurance) of a *commitment* situated there through an establishment in another *EEA State* ('the provision of long-term insurance');

**proxy capital resources requirement** means the *solo capital resources requirement* to which an *undertaking* would have been subject if it had a *permission* for each activity it carries on anywhere in the world, so far as that activity is a *regulated activity*.

**public file**, in relation to a *friendly society*, means the file relating to the *friendly society* which the *FCA* is required to maintain under section 104 of the *1992 Act*;

**qualified valuer**, in relation to any particular type of land in any particular area, means a person who is a fellow or professional associate of the Royal Institution of Chartered Surveyors or a fellow or associate of the Incorporated Society of Valuers and Auctioneers or a fellow or associate of the Rating and Valuation Association and either –

- (a) has knowledge of and experience in the valuation of that particular type of land in that particular area; or
- (b) has knowledge of and experience in the valuation of land and has taken advice from a valuer who he is satisfied has knowledge of and experience in the valuation of that particular type of land in that particular area;

**readily realisable** in relation to a *listed* investment means a *listed* investment in respect of which 9(4) of Appendix 4 does not apply or, by virtue of 9(5) of Appendix 4, is to be taken not to apply;

**receivable** in relation to a *friendly society*, a *period*, a *financial year* and a *premium* means, unless otherwise specified, such amounts as become due to the *friendly society*, whether or not received by the *friendly society* during that *period* or *financial year*, including (where appropriate) income which has accrued, except that in Appendix 2, "receivable" only includes amounts *receivable* in respect of *contracts of insurance* *incepted* in that *period* or *financial year*;

**recoverable**, in relation to a *friendly society* and a *financial year*, means recorded in the *friendly society's* books as due in that year, whether or not the *friendly society* has received any payment;

**reference period**, in relation to a *friendly society*, means the three last preceding *financial years*;

**registered address**, in relation to a member of an *incorporated friendly society*, has the meaning given in paragraph 14(6) of Schedule 3 to the *1992 Act*;

**registered branch** means a branch of a *registered friendly society* which is separately registered within the meaning of the *1974 Act*;

**regulated institution** means any of the following –

- (a) an EEA insurer or UK insurer;
- (b) an approved credit institution;
- (c) a *friendly society* which is authorised to carry on *insurance business*; and
- (d) an approved investment firm;

**regulated market** means a market which is characterised by –

- (a) regular operation;
- (b) the fact that regulations issued or approved by the appropriate authority of the state where the market is situated –
  - (i) define the conditions for the operation of and access to the market,
  - (ii) define the conditions to be satisfied by a financial instrument in order for it to be effectively dealt in on the market, and
  - (iii) require compliance with reporting and transparency requirements comparable to those laid down in articles 20 and 21 of the Council Directive 93/22/EEC of 10 May 1993 on investment Services in the securities field; and
- (c) in the case of a market situated outside the *EEA States*, the fact that the financial instruments dealt in are of a quality comparable to those in a *regulated market* in the United Kingdom;

**regulated related undertaking** means a *related undertaking* that is any of the following:

- (a) a *regulated entity*;
- (b) an *insurance undertaking* which is not a *regulated insurance entity*;
- (c) an *asset management company*;
- (d) a *financial institution* which is neither a *credit institution* nor an *investment firm*;
- (e) a *financial holding company*; or
- (f) an *insurance holding company*.

**reinsurance business** means the effecting and carrying out of contracts of reinsurance;

**related undertaking** means in relation to an *undertaking 'U'*:

- (a) any *subsidiary undertaking* of U;
- (b) any *undertaking* in which U or any of U's *subsidiary undertakings* holds a participation;
- (c) any *undertaking* linked to U by a *consolidation Article 12(1) relationship*; or
- (d) any *undertaking* linked by a *consolidation Article 12(1) relationship* to an *undertaking* in (a), (b) or (c).

**relevant capital sum** means –

- (a) subject to (b) and (c):
  - (i) for whole life assurances, the sum assured,
  - (ii) for policies where a sum is payable on maturity (including policies where a sum is also payable on earlier death), the sum payable on maturity,
  - (iii) for deferred annuities, the capitalised value of the annuity at the vesting date (or the cash option if it is greater),
  - (iv) for capital redemption contracts, the sums payable at the end of the contract period, and
  - (v) for *linked long-term contracts*, notwithstanding (i) to (iv), the lesser of:
    - (A) the amount for the time being payable on death, and
    - (B) the aggregate of the value for the time being of the units allocated to the contract (or, where entitlement is not denoted by means of units, the value for the time being of any other measure of entitlement under the contract equivalent to units) and the total amount of the *premiums* remaining to be paid during such part of the term of the contract as is appropriate for *zillmerising*, or, if such *premiums* are payable beyond the age of seventy five, until that age,
- excluding in all cases any vested reversionary bonus,
- (b) notwithstanding (a), where, under a contract relating to any such business as is mentioned in (a), the payment of *premiums* is to stop before the sum assured becomes due, the *mathematical reserves* appropriate for that contract at the end of the *premium-paying term*; and
- (c) notwithstanding (a), for temporary assurances, the sum assured on the *valuation date*;

**relevant date** means, in relation to the valuation of any asset for any purpose for which the *asset valuation rules* apply, the date when the asset falls to be valued for that purpose;

**relevant regulatory requirements** means:

- (a) in the case of a related undertaking that is an insurance undertaking, established in a designated state or territory, at the option of the friendly society:
  - (i) the regulatory requirements of that state or territory applicable to an undertaking carrying on direct insurance business (even if 31 December 2010 50 it only carries on reinsurance business or is an insurance holding company), or
  - (ii) the requirements referred to in (b);
- (b) in the case of any other *insurance undertaking* or *insurance holding company*, the rules in *IPRU(INS)* applicable to an *insurer* (other than a *pure reinsurer*) with its head office in the United Kingdom (whether or not it is such an *insurer*)

**required margin of solvency** has the meaning given in rule 4.2

**required minimum margin** means the greater of the appropriate required margin of solvency and the amount of the appropriate minimum guarantee fund;

**securities** includes *shares*, *debt securities*, Treasury Bills, Tax Reserve Certificates and Certificates of Tax Deposit;

**settlement date** means any date on which the fulfilment of an obligation under a *derivative contract* is or may be required;

**share** has the meaning given in section 1161(2) of the Companies Act 2006;

**short term deposit** means a sum of money which may be withdrawn at the discretion of the lender without penalty or loss of accrued interest by giving notice of withdrawal of one month or less;

**son** includes stepson;

**subsidiary** is construed in accordance with section 13 of the *1992 Act*;

**subsidiary undertaking** has the meaning given in section 1162 of the Companies Act 2006;

**surplus assets** has the meaning given in paragraph 3(3) of Appendix 4;

**taxes included in premiums** has the same meaning as the words "taxes pertaining to the *premiums*" in the third indent of the first sub-paragraph of article 16(3) of the *first non-life Directive*;

**valuation date**, in relation to an actuarial investigation, means the date to which the investigation relates;

**variation margin** means –

- (a) in respect of a *derivative contract*, or a contract having the effect of a *derivative contract*, assets (other than assets transferred by way of *initial margin*) which, at the *relevant date*, have been transferred by, to, or for the benefit of, the *friendly society* in pursuance of a condition in that contract or a related contract; and
- (b) in respect of an asset having the effect of a *derivative contract*, assets which, at the *relevant date*, have been transferred by, to, or for the benefit of, the *friendly society* in pursuance of a contractual right conferred, or obligation imposed, by the holding of the asset having the effect of a *derivative contract*;

**warrant** means an instrument which falls within article 79 of the Financial Services and Markets Act (Regulated Activities) Order 2001 (SI 2001, No 544);

**weighted average of the yield** has the meaning given in 19(5)(d) of Appendix 9;

**with-profits fund** for the purposes of Chapter 5 and Appendices 6 to 10 means:

- (a) a *long-term insurance fund* (or that part of such a fund) in which *policyholders* are eligible to participate in any *established surplus*; and
- (b) where it is a *friendly society's* usual practice to restrict *policy-holders'* participation in any *established surplus* to that arising from only a part of the fund (or part fund) falling within (a), that part (or that part of the part fund);

***with-profits policy*** means a contract falling within a *class* of long-term insurance which is eligible to participate in any part of any *established surplus*, and non-profit policy must be construed accordingly;

***working day*** means any day other than Saturday, Sunday, Good Friday, Christmas Day and any day which is a bank holiday in any part of the United Kingdom under section 1 of the Banking and Financial Dealings Act 1971;

***zillmerising*** means the method known by that name for modifying the net *premium* reserve method of valuing a long-term policy by increasing the part of the future *premiums* for which credit is taken so as to allow for initial expenses.

## PART II – GENERAL PROVISIONS

7.2 A word or phrase which is printed in italics is used in the defined sense. If a defined term does not appear in the IPRU (FSOC) glossary listed in part 1 of Chapter 7, the definition appearing in the main Handbook *Glossary* applies.

FCA | PRA

7.3 Unless the context otherwise requires, a word or phrase which is defined in a related enactment bears the same meaning as in that enactment.

FCA | PRA

7.4 Unless the context requires, a word which is related to a defined word is construed by reference to the defined word.

FCA | PRA

7.5 In *IPRU (FSOC)*, the cross referencing within Forms follows the sequence "Form.Line.Column".

FCA | PRA

*Subsidiary and ancillary provisions*

7.6 For the purposes of *IPRU (FSOC)*:

FCA | PRA

- (a) a *contract of insurance* is to be treated as falling within a *class* of *long-term insurance business* notwithstanding the fact that it contains supplementary provisions falling within *class 1 (accident)* or *class 2 (sickness)* if:
  - (i) its principal object is that of a contract falling within a *class* of *long-term insurance business*, and

(ii) it is effected or carried out by a *friendly society* which has permission to effect or carry out contracts falling within *class I (life and annuity)*; and

(b) a *contract of insurance* whose principal risk falls within any of *classes 1, 2 or 16* is to be treated as falling within that *class* and no other, notwithstanding the fact that it also covers *ancillary risks*.

### PART III – CLASSES OF LONG-TERM INSURANCE BUSINESS

FCA	PRA
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Number	Description	Nature of business
I	Life and annuity	Effecting or carrying out <i>contracts of insurance</i> on human life or contracts to pay <i>annuities on human life</i> , but excluding (in each case) contracts within <i>class III</i> .
II	Marriage and birth	Marriage or the formation of a civil partnership and birth: Effecting or carrying out <i>contracts of insurance</i> to provide a sum on marriage or the formation of a civil partnership or on the birth of a child, being contracts expressed to be in effect for a period of more
III	Linked long term	Effecting or carrying out <i>contracts of insurance</i> on human life or contracts to pay <i>annuities on human life</i> where the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the contracts) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified).
IV	Permanent health	Effecting or carrying out <i>contracts of insurance</i> providing specified benefits against risks of persons becoming incapacitated in consequence of sustaining injury as a result of an accident or of an accident of a specified class or of sickness or infirmity, being contracts that –  (a) are expressed to be in effect for a period of not less than five years, or until the normal retirement age for the persons concerned, or without limit of time; and  (b) either are not expressed to be terminable by the <i>friendly society</i> , or are expressed to be so terminable only in special circumstances mentioned in the contract.
V	Tontines	Effecting or carrying out tontines.
VI	Capital redemption	Effecting or carrying out capital redemption contracts.
VII	Pension fund management	Effecting or carrying out –  (a) <i>pension fund management contracts</i> ; or  (b) contracts of the kind mentioned in (a) that are combined with <i>contracts of insurance</i> covering either conservation of capital or

		payment of a minimum interest.
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## CLASSES OF GENERAL INSURANCE BUSINESS

FCA	PRA
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Number	Description	Nature of business
1	Accident	<p>Effecting or carrying out <i>contracts of insurance</i> providing fixed pecuniary benefits or benefits in the nature of indemnity (or a combination of both) against risks of the person insured or, in the case of a contract made by virtue of section 140, 140A or 140B of the Local Government Act 1972, a person for whose benefit the contract is made –</p> <p>(a) sustaining injury as the result of an accident or of an accident of a specified class, or</p> <p>(b) dying as the result of an accident or of an accident of a specified class, or</p> <p>(c) becoming incapacitated in consequence of disease or of disease of a specified class,</p> <p>inclusive of contracts relating to industrial injury and occupational disease but exclusive of contracts falling within <i>class 2</i> or within <i>class IV</i>.</p>
2	Sickness	<p>Effecting or carrying out <i>contracts of insurance</i> providing fixed pecuniary benefits or benefits in the nature of indemnity (or a combination of the two) against risks of loss to the persons insured attributable to sickness or infirmity, but exclusive of contracts falling within <i>class IV</i>.</p>
16	Miscellaneous financial loss	<p>Effecting or carrying out <i>contracts of insurance</i> against any of the following risks, namely –</p> <p>(a) risks of loss to the persons insured attributable to them being unemployed;</p> <p>(b) risks of loss to the persons insured attributable to them being in distressed circumstances; or</p> <p>(c) risks of loss to the persons insured attributable to sickness or infirmity,</p> <p>but not including of contracts falling within <i>class 2</i> or <i>class IV</i>.</p>

## 8 Chapter 8: Transitional provisions

### GUIDANCE

FCA	PRA
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GEN (the part of the *Handbook* in High Level Standards which has the title General Provisions) contains some technical transitional provisions that apply throughout the *Handbook* and which are designed to ensure a smooth transition at commencement of the *Act*. These include transitional provisions relevant to record keeping and notification rules.

*SUP* contains transitional provisions which carry forward written concessions relating to pre-commencement provisions.

**Table 1**

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: Dates in force	(6) Handbook provision: coming into force
3	<i>IPRU (FSOC) Rule 5.1A</i>	R	(1) This paragraph and Table 2 below apply to a <i>directive friendly society</i> .  (2) <i>IPRU (FSOC) rule 5.1A</i> is modified so that a <i>directive friendly society</i> must comply with <i>IPRU (INS) rule 9.6(1)</i> varied as set out in Table 2.	From 31 December 2004 to 30 December 2007	31 December 2004
4	<i>IPRU (FSOC) rules 4.21, 4.22, 7.1 (Definitions), Appendix 3 paragraphs 9 and 12</i>	R	For the period given in column (5), for the purposes of the <i>rules</i> specified in column (2), a <i>directive friendly society</i> must apply the definition of <i>permitted derivative contract</i> as it takes effect in relation to a <i>non-directive incorporated friendly society</i> .	31 December 2004 to 30 December 2005	31 December 2004
5	<i>IPRU (FSOC) rules 4.21, 4.22, 7.1 (Definitions), Appendix 3 paragraphs 9 and 12</i>	R	(1) This paragraph applies to a contract concluded on or before 30 December 2005 which satisfies the definition of <i>permitted derivative contract</i> as it takes effect in relation to a <i>non-directive incorporated friendly society</i> .  (2) In relation to a contract to	31 December 2004 until the relevant <i>rule</i> is revoked	31 December 2004

		which this paragraph applies, for the purposes of the <i>rules</i> specified in column (2), a <i>directive friendly society</i> may continue to apply the definition of <i>permitted derivative contract</i> as it takes effect in relation to a <i>non-directive incorporated friendly society</i> .		
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## Table 2

This Table belongs to *IPRU (FSOC) Chapter 8, Table 1, paragraph 3*

<i>Financial year ending on or after</i>	<b>Deposit period following the <i>financial year end</i></b>	
	<b>Where the deposit is made electronically</b>	<b>Otherwise</b>
31 December 2004	6 months	6 months
31 December 2005	6 months	6 months
31 December 2006	4 months	3 months and 15 days
31 December 2007	3 months	2 months and 15 days