

**INTERIM PRUDENTIAL SOURCEBOOK FOR FRIENDLY SOCIETIES  
(GROUPS DIRECTIVE) (NO 2) INSTRUMENT 2003**

**Powers exercised**

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):
- (1) section 138 (General rule-making power);
  - (2) section 150(2) (Actions for damages);
  - (3) section 156 (General supplementary powers); and
  - (4) section 157(1) (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) of the Act (Rule-making instruments).

**Commencement**

- C. This instrument comes into force on 1 January 2004.

**Amendments to the Interim Prudential sourcebook for friendly societies**

- D. IPRU(FSOC) is amended in accordance with the Annex to this instrument.

**Citation**

- E. This instrument may be cited as the Interim Prudential Sourcebook for Friendly Societies (Groups Directive) (No 2) Instrument 2003.

By Order of the Board  
20 November 2003

## Annex

### Amendments to IPRU(FSOC)

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### Chapter 7 DEFINITIONS

##### Part I Definitions

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

...

*general insurance business amount* means the higher of -

(a) the total of:

(i) ~~the aggregate of 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 ~~assets~~ general insurance business assets (other than long-term insurance business assets and excluding reinsurance recoveries) 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);

...

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

(a) the total of:

(i) ~~the amount of the friendly society's insurance liabilities in respect of long-term insurance business (net of reinsurance ceded and excluding property linked liabilities), together with~~ 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;

(i) ~~the amount of the required margin of solvency (or the amount of the minimum guarantee fund if greater) determined in accordance with rules 4.2 and 4.5 and Appendix 1 less the amount of any implicit item valued in accordance with a waiver under section 148 of the Act, and~~

(ii) ~~the amount of any deposit-back in connection with a contract of reinsurance in respect of long-term insurance business; or~~

(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 ~~(other than general insurance business assets and excluding reinsurance recoveries and assets required to match property linked liabilities)~~ 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);

...