

**PRA RULEBOOK: NON-SOLVENCY II FIRMS: FRIENDLY SOCIETY - REPORTING
INSTRUMENT 2016**

Powers exercised

A. The Prudential Regulation Authority (“PRA”) 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 137G (The PRA’s general rules);
- (2) section 137T (General supplementary powers);
- (3) section 137P (Control of information rules);
- (4) section 340 (Appointment); and

in the exercise of its powers under section 114 of the Friendly Societies Act 1992.

B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: Non-Solvency II Firms: Friendly Society - Reporting Instrument 2016

D. The PRA makes the rules in the Annex to this instrument.

Commencement

E. This instrument comes into force on 1 July 2016.

Citation

F. This instrument may be cited as the Non-Solvency II Firms: Friendly Society - Reporting Instrument 2016.

By order of the Board of the Prudential Regulation Authority

27 June 2016

Annex

In this Annex, the text is all new and is not underlined.

Part

FRIENDLY SOCIETY - REPORTING

Chapter content

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1 APPLICATION AND DEFINITIONS

1.1 This Part applies to every *firm* that is a *non-directive friendly society* other than:

- (1) a *flat rate benefits business friendly society*; and
- (2) a *partnership pension society*.

1.2 In this Part, the following definitions shall apply:

annuities on human life

means annuities on human life which do 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.

appropriate actuary

means an *actuary* as defined in the Actuarial Requirements Chapter 7.

committee

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

FSC2 return

means those forms, documents and requirements detailed in Chapter 3.

partnership pension society

means an unincorporated *friendly society*, which satisfies the following conditions:

- (1) the purpose of the society is to effect or carry out unit-linked contracts to pay *annuities on human life*;
- (2) the assets of each member of the society are separately identifiable;
- (3) the assets of each member of the society are invested solely or primarily by him or in accordance with his instructions;
- (4) the value of each member of the society's assets is entirely dependent on the performance of those assets;
- (5) no member of the society has a contract which comprises, or includes, a cash guarantee; and
- (6) no member of the society has a contract which is an annuity in payment.

public file

means the file relating to the *friendly society* which the *FCA* is required to maintain under section 104 of the Friendly Societies Act 1992.

2 TRIENNIAL ACTUARIAL INVESTIGATION AND REPORTING TO THE PRA

- 2.1 A *firm* must ensure that an investigation is made by the *appropriate actuary* into the financial condition of the *firm* in respect of its *insurance business* every third *financial year*.
- 2.2 When an investigation under this Chapter has been made, the *firm* must:
- (1) make an *FSC2 return* in respect of the actuary's report of the investigation; and
 - (2) deposit a copy of the *FSC2 return* with the *PRA* within 6 *months* of the end of the period to which it relates, using either:
 - (a) the postal address: Insurance Returns, Regulatory Data Group, Statistics and Regulatory Data Divisions (HO5 B-D), Bank of England, Threadneedle Street, London EC2R 8AH (and not the *firm's* normal supervisory contact); or
 - (b) the appropriate electronic means made available by the *PRA*.
- 2.3 Subject to 2.4, a *firm* must deposit with the *PRA*, not later than 6 *months* after each anniversary of the date to which the accounts of the *firm* were made up for the purposes of the last investigation into its financial condition under this Chapter:
- (1) a certificate given by the *appropriate actuary*, in the format of Form FSC4, that there has been no material change in its financial condition in respect of its *insurance business* since it sent the last *FSC2 return* under 2.2; or
 - (2) a statement by the *appropriate actuary* that he is unable to provide such a certificate.
- 2.4 2.3(2) does not apply where, before the date by which a certificate or statement must be deposited, a further *FSC2 return* under rule 2.2 has been deposited with the *PRA*.
- 2.5 If a *firm* deposits a statement under 2.3(2), the *firm* must ensure that an investigation is carried out, and in such a case:
- (1) the date to which the *firm's* accounts are made up for the purposes of the investigation must be the latest anniversary of the date to which its accounts were made up for the purposes of the last investigation; and
 - (2) the *FSC2 return* required by 2.2 must be deposited with the *PRA* within 6 months of the date by which the statement was required to be deposited under 2.3.
- 2.6 An investigation under 2.1 must include:
- (1) a valuation of the liabilities of the *firm* attributable to its *insurance business*; and
 - (2) a determination of any excess over these liabilities of the assets representing the fund or funds maintained by the *firm* in respect of its *insurance business* and, where any rights of any long-term *policyholders* to participate in profits relate to particular parts of such a fund, a determination of any excess of assets over liabilities in respect of each of those parts.
- 2.7 If, within 24 *months* of the date of deposit, the *PRA* notifies the *firm* that any Form included in the *FSC2 return* appears to it to be inaccurate or incomplete, the *firm* must consider the matter and within one *month* of the date of notification it must correct any inaccuracies and make good any omissions and deposit the relevant parts of the return again.

3 FSC2 RETURN

- 3.1 A *FSC2 return* must include:
- (1) Forms FSC2, 9, 9A, 9B and 9C; and
 - (2) a statement that the *firm* consents to the FSC2 return being placed on its *public file*.
- 3.2 Form 9A must provide a synopsis of the report by the *appropriate actuary* into the investigation into the financial condition of the *firm* in respect of its *insurance business*, including the statements and detail set out in that Form.
- 3.3 Form 9B must be signed by the *appropriate actuary* in the terms required.
- 3.4 Form 9C must be signed by the chief executive, the secretary and one *committee* member of the *firm* (or two members of the *committee* if the offices of chief executive and secretary are held by the same person).
- 3.5 The friendly society's register number is to be entered on every page in the relevant box. Boxes marked 'period ended 31 December' must be completed so as to show, in numerals, the date of the last day of the period to which the *FSC2 return* relates.
- 3.6 Every Form submitted under the rules in this chapter must fairly state the information provided in it on the basis required by the rules.
- 3.7 Unless the context otherwise requires, the value or amount given for an asset or a liability of the friendly society included in any Form must be the value or amount of that asset or liability determined in accordance with Friendly Society – Asset Valuation and Friendly Society – Liability Valuation.
- 3.8 Some Forms permit amounts to be entered in £000 but advantage may be taken of this only if none of the entries in the relevant Form are less than £500. All entries in a Form must be in the same monetary units. Negative amounts must be shown between round brackets.

4 FORMS

- 4.1 The Forms for the *FSC2 return* can be found [here](#).
- 4.2 Form FSC4 can be found [here](#).

5 TRANSITIONAL PROVISIONS

- 5.1 A *firm* must ensure that the investigation referred to in 2.1 is completed in respect of the first financial year ending on or after 1 January 2017.
- 5.2 For the *financial year* ending on or before 31 December 2016, 2.3 does not apply and a *firm* must ensure that:
- (a) a certificate is given by the *appropriate actuary*, in the format of Form FSC4, that there has been no material change in its financial condition in respect of its *insurance business* since it last submitted an abstract to the *PRA* under rules 5.1(2) or 5.2(2) of IPRU(FSOC) as at 31 December 2015; or
 - (b) a statement by the *appropriate actuary* that he is unable to provide such a certificate.