

COMPENSATION SOURCEBOOK (AMENDMENT 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 156 (General supplementary powers);
 - (3) section 157(1) (Guidance);
 - (4) section 213 (The compensation scheme);
 - (5) section 214 (General);
 - (6) section 215 (Rights of the scheme in relevant person’s insolvency);
 - (7) section 216 (Continuity of long term insurance policies); and
 - (8) section 217 (Insurers in financial difficulties).
- 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 December 2003.

Amendments to the Compensation sourcebook

- D. The Compensation sourcebook is amended in accordance with Annex A to this instrument.

Amendments to the Glossary

- E. The Glossary is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Compensation Sourcebook (Amendment No 2) Instrument 2003.

By Order of the Board

15 October 2003

Annex A

Amendments to the Compensation Sourcebook

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

...

Table Transitional Provisions Table

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook Provisions coming into force
7	...				
<u>8</u>	<u>Amendments introduced by the Compensation Sourcebook (Amendment No. 2) Instrument 2003</u>	<u>R</u>	<u>Provisions and definitions arising out of (2) only apply to defaults, or circumstances giving rise to arrangements made under COMP 3.3.1R or to measures taken under COMP 3.3.3R, occurring after the date in (6).</u>	<u>Indefinitely</u>	<u>1 December 2003</u>

...

1.3.3 G Table Areas of particular interest to claimants (see COMP 1.1.3G)

This table belongs to COMP 1.3.3

Q1	What do I need to do in order to receive compensation?
A1	In order to receive compensation: ... And you must bring your claim to the <i>FSCS</i> within a set time (normally within six years of the date on which your claim against the <i>relevant person</i> occurred). ... COMP 8.2.3R – 8.2.4 5 R
Q3	How will the <i>FSCS</i> calculate the compensation that is offered to me?

A3	Again, this will depend on whether your protected claim is a:	
	...	
	(2) a <i>claim</i> under a <i>protected contract of insurance</i> ; or	COMP 12.2.1R, 12.3.2-4R, and 12.4.9R-12.5.24.16 R
	...	
Q4	What happens if an <i>insurance undertaking</i> is insolvent?	
A4	If you have a <i>long term insurance contract which is not a reinsurance contract</i> with an insolvent <i>insurance undertaking</i> , the <i>FSCS</i> will first try to secure continuity of insurance for you.	COMP 3.3, 11.2.3R, and 12.4.11R
	If the <i>FSCS</i> achieves this, you will not necessarily receive any cash, but you will continue to be insured (though possibly with lower benefits than before).	COMP 3.3, 10.2.6R, and 11.2.23 R, and 12.5.1R
	You will receive cash compensation only if the <i>FSCS</i> cannot secure continuity of insurance cover or the cost of doing so would be unreasonable.	COMP 3.3.1-2ER, and 11.2.1R
	If you have a <i>relevant general insurance contract which is not a reinsurance contract</i> with an insolvent <i>insurance undertaking</i> , the <i>FSCS</i> will pay you cash compensation if it is unable to secure continuity of insurance cover or the cost of doing so would be unreasonable.	COMP 3.2.1-2R and 11.2.3R
	If the <i>insurance undertaking</i> is in “financial difficulties”, the <i>FSCS</i> may try to arrange for another <i>insurance undertaking</i> to take over the <i>business</i> , or provide the <i>insurance undertaking</i> with financial assistance to carry on business. If this occurs, you will not receive cash compensation, but your policy will continue (though possibly with lower benefits than before).	COMP 3.3.3-6R, 10.2.6-7R, and 11.2.3R

...

3.2.1 R The *FSCS* may pay compensation to an *eligible claimant*, subject to *COMP* 11 (Payment of € compensation) if it is satisfied that:

...

- (4) in the case of a *claim* under a *protected contract of insurance*:
- (a) it is not reasonably practicable or appropriate to ~~take steps make, or continue to make, arrangements~~ to secure continuity of insurance under *COMP* 3.3.1 R ~~and *COMP* 3.3.4 R(1)~~; or
 - (b) it would not be appropriate to ~~take, or continue to take, the measures under *COMP* 3.3.3R specified in *COMP* 3.3.4R(2) to provide assistance to safeguard policyholders of an *insurance undertaking*~~ in financial difficulties.

...

Securing continuity of long term insurance cover

- 3.3.1 R The *FSCS* must make arrangements to secure continuity of insurance for an *eligible claimant* under a *protected contract of insurance* which is a *long-term insurance contract* with a *relevant person*, if:
- (1) the *relevant person* is the subject of any of the proceedings listed in *COMP* 6.3.3R (1)-(5);
 - (2) it is reasonably practicable to do so; and
 - (3) the cost of doing so would, in the opinion of the *FSCS* at the time it proposes to make the arrangements, be likely to be no more than the cost of paying compensation under *COMP* 3.2.
- 3.3.2 R ~~The arrangements contemplated by~~ In order to secure continuity of insurance under *COMP* 3.3.1R include arrangements the *FSCS* may take such measures as it considers appropriate to:
- (1) secure or facilitate the transfer of the ~~*long-term insurance business*~~ business of the *relevant person in default* which consists of carrying out *long-term insurance contracts* or any part of that business to another *firm*; and
 - (2) secure the issue of policies by another *firm* to *eligible claimants* in substitution for their existing policies.

Renumber provisions 10.2.6R, 10.2.7R, 12.5.1R and 12.5.2R as, respectively, 3.3.2AR, 3.3.2BR, 3.3.2CR and 3.3.2DR, and amend the text as shown.

- ~~10.2.6~~
3.3.2A R The *FSCS*'s duty under *COMP* 3.3.1R and *COMP* 3.3.3R in respect of a *long term insurance contract* ~~to ensure continuity of cover for any *protected contract of insurance* which is a *long-term insurance contract extends only*~~ is limited to ensuring that the claimant will receive ~~100% of the first £2000 and at least 90% of the remainder of any *future benefit*~~ benefit under his *contract of insurance*, subject to and in accordance with terms corresponding (so far as it appears to the *FSCS* to be reasonable in the circumstances) to those which have applied under the *contract of insurance*.
- ~~10.2.7~~
3.3.2B R If the *FSCS* secures less than 100% of any benefit of a claimant under a contract, then ~~A~~ *FSCS* must ensure that any future *premiums* that the claimant is committed to paying under the ~~policy~~ contract will be reduced by an equivalent amount.
- ~~12.5.1~~
3.3.2C R (1) In any period when the *FSCS* is seeking to secure continuity of ~~cover for any policyholder of a relevant person~~ insurance under *COMP* 3.3.1R, ~~the *FSCS*~~ it must secure that ~~100% of the first £2000 and 90% of any benefit~~ under a *long-term insurance contract* which:
- (a) falls due, or would have fallen due, to be paid to any ~~policyholder~~ *eligible claimant*; or
 - (b) had already fallen due to be paid to any *eligible claimant* before the beginning of that period and has not yet been paid;

is paid to the ~~policyholder~~ *eligible claimant* in question as soon as reasonably practicable after the time when the benefit in question fell due, or would have fallen due, under the contract.

- (2) A payment under (1) is made (but subject to and in accordance with any other terms which apply or would have applied under the contract).
- (3) A payment made under (1) is not subject to the *FSCS* deciding that the cost of making the payment would be likely to be no more than the cost of paying compensation under *COMP* 3.2.

12.5.2 R ~~A bonus provided under a *contract of insurance* is not a *future benefit*~~
3.3.2D ~~for the purposes of *COMP* 12.5.1R.~~ For the purposes of *COMP*
3.3.2AR to *COMP* 3.3.2CR, "benefit" does not include:

- (1) any bonus provided for under the contract unless it was declared and vested before the ~~beginning of the liquidation~~ *insurance undertaking* became the subject of one or more of the proceedings listed in *COMP* 6.3.3R(1) to (5); or
- (2) any reduction which the *FSCS* has determined, or any benefit which the *FSCS* has decided to disregard under *COMP* 12.4.14 R, to the extent that the *FSCS* has decided so to treat it.

3.3.2E R Unless the *FSCS* has decided to treat the liability of the *relevant person* under the contract as reduced or (as the case may be) disregarded under *COMP* 12.4.14 R, it must not treat as a reason for failing to secure, or for delaying the securing of, payments under *COMP* 3.3.2C R at the level prescribed in that *rule* the fact that:

- (1) it considers that any benefit referred to in *COMP* 3.3.2C R is or may be excessive in any respect; or
- (2) it has referred the contract in question to an independent actuary under *COMP* 12.4.13 R; or
- (3) it considers that it may at some later date decide to treat the liability of the *relevant person* under a contract as reduced or disregarded under *COMP* 12.4.14 R;

save where the *FSCS* decides to exclude certain benefits to the extent that they arise out of the exercise of any option under the policy and for this purpose the option includes, but is not restricted to, a right to surrender the policy.

3.3.3 R (1) ~~Where a *relevant person* is an *insurance undertaking* in financial difficulties (see *COMP* 3.3.6 R),~~ The *FSCS* must may take such measures as it considers appropriate for the purpose of safeguarding the rights of *eligible claimants* under *protected contracts of insurance* which are:

(a) general insurance contracts with a relevant person which is an insurance undertaking in financial difficulties (see COMP 3.3.6 R); or

(b) long-term insurance contracts with a relevant person which is an insurance undertaking in financial difficulties (see COMP 3.3.6R) but which is not the subject of any of the proceedings listed in COMP 6.3.3 R (1) to (5);

if at the time it proposes to take the measures, it considers that the cost of doing so is likely to be no more than the cost of paying compensation under COMP 3.2.

(2) Measures under (1) may be taken on such terms (including terms reducing or deferring payment of any liabilities or benefits provided under any protected contract of insurance) as it the FSCS considers appropriate if, in the opinion of the FSCS at the time it proposes to take the measures, the cost is likely to be less than the cost of paying compensation under COMP 3.2.

3.3.4 R The measures contemplated in COMP 3.3.3 R include measures to:

- (1) secure or facilitate the transfer of the business insurance business of the relevant person which consists of carrying out contracts of insurance, or any part of that business, to another firm; and
- (2) give assistance to the relevant person to enable it to continue to effect contracts of insurance or carry out contracts of insurance; and
- (3) secure the issue of policies by another firm to eligible claimants in substitution for their existing policies.

3.3.4A R If it thinks appropriate, the FSA may in relation to any insurance undertaking which is in financial difficulties:

- (1) give the FSCS assistance in determining what measures under COMP 3.3.3 R are practicable or desirable;
- (2) impose constraints on the measures which may be taken by the FSCS under COMP 3.3.3 R;
- (3) require the FSCS to provide it with information about any measures which it is proposing to take under COMP 3.3.3 R.

- 3.3.5R ~~Before the FSCS takes the measures described in COMP 3.3.3R for the purpose of safeguarding an eligible complainant in respect of a protected contract of insurance that is a long-term insurance contract, it must:~~
- ~~(1) reduce the eligible claimant's interest in the protected contract of insurance to 90% of the amount which would otherwise have been payable under the terms of the contract; and~~
 - ~~(2) reduce all premiums under the contract which have not fallen due before the time when the reduction is to take effect to 90% of the amount which would otherwise have been payable. [deleted]~~
- 3.3.6 R For the purpose of COMP 3.3.3R and COMP 3.3.4AR, a relevant person ~~who~~ which is an insurance undertaking is in financial difficulties if any of the following events occurs:
- ~~(1) it is in provisional liquidation~~ a liquidator, administrator, provisional liquidator, administrative receiver or interim manager is appointed to the relevant person, or a receiver is appointed by the court to manage the relevant person's affairs;
or
 - ~~(2) it has proved, in any proceedings on a petition for the winding up of the relevant person under the Insolvency Act 1986 or the Insolvency (Northern Ireland) Order 1989 for the voluntary winding up of the relevant person (or any analogous proceedings pursuant to the law of any other jurisdiction), to be unable to pay its debts~~ there is a finding by a court of competent jurisdiction that the relevant person is unable to pay its debts; or
 - ~~(3) an application has been made to the court under section 425 of the Companies Act 1985 or Article 418 of the Companies (Northern Ireland) Order 1986 for the sanctioning of a compromise or arrangement proposed between the relevant person and its creditors or any class of them and the terms of the compromise or arrangement provide for reducing, or deferring payment of, the liabilities or the benefits provided for under any of the relevant person's policies~~ a resolution is passed for winding up of the relevant person, unless a declaration of solvency has been made in accordance with section 89 of the Insolvency Act 1986; or
 - ~~(4) the FSA determines that the relevant person who is an insurance undertaking is unable or likely to be unable to satisfy protected claims against it;~~ or
 - ~~(5) approval is given to any company voluntary arrangement made by the relevant person;~~ or
 - ~~(6) the relevant person makes a composition or arrangement with any one or more of its creditors providing for the reduction of, or deferral of payment of, the liabilities or benefits provided for under any of the relevant person's policies;~~ or

- (7) the relevant person is dissolved or struck off from the Register of Companies; or
- (8) a receiver is appointed over particular property of the relevant person; or
- (9) any of (1) to (8) or anything equivalent occurs in respect of the relevant person in a jurisdiction outside England and Wales.

Assessing the costs of paying compensation

3.3.7 R For the purposes of COMP 3.3.1R(3) and COMP 3.3.3R(1), when assessing the cost of paying compensation under COMP 3.2 FSCS may have regard to the likely total cost of paying compensation arising out of the default, not just the compensation amounts likely to be payable to particular eligible claimants covered by the proposed arrangements for continuity.

...

5.4.2 R A contract of insurance issued after commencement which:

- (1) relates to a protected risk or commitment as described in COMP 5.4.3R;
- (2) is issued by the *relevant person* through an establishment in;
 - (a) the *United Kingdom*; or
 - (b) another *EEA State*; or
 - (c) the Channel Islands or the Isle of Man; ~~and~~
- (3) is a *long-term insurance contract* or a *relevant general insurance contract*; and
- (4) is not a reinsurance contract;

is a *protected contract of insurance*.

...

5.4.5 R (1) ~~If the default of the relevant person occurs after commencement, a relevant person is subject to one or more of the proceedings listed in COMP 6.3.3R or is declared in default, then a contract of insurance issued by a that relevant person before commencement which is within COMP 5.4.5R(2) is a protected contract of insurance, provided that:~~

- (a) (unless it comes within (b)) at the earlier of the events in (1) it was a “United Kingdom policy at the beginning of the liquidation” for the purposes of the Policyholders Protection Act 1975;
- (b) if the *contract of insurance* is a contract of employers’ liability insurance entered into before 1 January 1972 or

(for contracts in Northern Ireland) 29 December 1975, and the *claim* was agreed after the default of the *insurer*, the risk or commitment was situated in the *United Kingdom* (as set out in *COMP 5.4.4R*).

- (2) The *contracts of insurance* referred to in *COMP 5.4.5R(1)* are:
- (a) a *relevant general insurance contract*;
 - (b) a *contract of insurance* within the *credit* class; and
 - (c) a *long-term insurance contract*;
- which in each case is not a *reinsurance contract*.

...

5.4.7 R The *FSCS* must treat liabilities of an *insurance undertaking* which is *in default*, in respect of the following items, as giving rise to *claims* under a *protected contract of insurance*:

- (1) (if the contract is not a *reinsurance contract* and has not commenced) *premiums* paid to the *insurance undertaking*; or
- (2) proceeds of a *long-term insurance contract* that is not a *reinsurance contract* and that has matured or been surrendered ~~but~~ which have not yet been passed to the claimant; or
- (3) the unexpired portion of any *premium* in relation to *relevant general insurance contracts* which are not *reinsurance contracts*; or
- (4) *claims* by *persons* entitled to the benefit of a judgement under section 151 of the Road Traffic Act 1988 or Article 98 of the Road Traffic (Northern Ireland) Order 1981.

...

7.2.3 R ~~The *FSCS* must make such recoveries as it reasonably can through the rights so assigned.~~

- (1) Before taking assignment of rights from the claimant under *COMP 7.2.1R*, the *FSCS* must inform the claimant that if, after taking assignment of rights, the *FSCS* decides not to pursue recoveries using those rights it will, if the claimant so requests in writing, reassign the assigned rights to the claimant. The *FSCS* must comply with such a request in such circumstances.
- (2) If the *FSCS* takes assignment of rights from the claimant under *COMP 7.2.1R*, it must pursue all and only such recoveries as it considers are likely to be both reasonably possible and cost effective to pursue.
- (3) If the *FSCS* makes recoveries through rights assigned under *COMP 7.2.1R*, it may deduct from any recoveries paid over to the claimant under *COMP 7.2.4R* part or all of its reasonable costs of recovery (if any).

...

9.2.2 R The *FSCS* may postpone paying compensation if:

...

- (5) the claimant has been charged with an offence arising out of or in relation to money laundering, and those proceedings have not yet been concluded; or
- (6) the claim relates solely to a bonus provided for under a protected contract of insurance the value of which the FSCS considers to be of such uncertainty that immediate payment of compensation in respect of that bonus would not be prudent and a court has yet to attribute a value to such bonus.

...

10.2.2 G ... Similarly if a claimant receives more than one payment in respect of a claim or claims on one or more protected contract of insurance, the claimant will only receive 100% of the first £2,000 of the total paid, and not 100% of the first £2,000 of each payment.

10.2.3 R Table: Table Limits

This table belongs to *COMP* 10.2.1R

Type of claim	Level of cover	Maximum payment
...		
<i>Protected contract of insurance</i> when the contract is a <i>long-term insurance contract</i>	100% x first £2,000 At least 90% of the remaining value of the policy <u>as determined in accordance with COMP 12 (including future benefits declared before the date the relevant person is determined to be in default).</u>	Unlimited
...		

...

10.2.6 R [deleted]

10.2.7 R [deleted]

...

11.2.1 R If the *FSCS* determines that compensation is payable, it must pay it to the claimant or as directed by the claimant, unless:

- (1) arrangements have or are being made to secure continuity of insurance under *COMP* 3.3.1 R and to COMP 3.3.2E R or the *FSCS* is taking measures it considers appropriate to safeguard eligible claimants under *COMP* 3.3.3 R to *COMP* 3.3.6 R; or
- (2) *COMP* 11.2.2 R or *COMP* 11.2.3 R applies.

11.2.3 R Where an *eligible claimant* has a *claim* under a *protected contract of insurance* against a *relevant person* that is in administration, provisional liquidation, or liquidation, the *FSCS* may, unless arrangements have been or are being made to secure continuity of insurance or other measures are being taken to safeguard eligible claimants, under ~~COMP 3.3.1R and COMP 3.3.2R~~ or the *FSCS* is ~~taking measures it considers appropriate under COMP 3.3.3R to COMP 3.3.6R:~~

- (1) make payments to or on behalf of *eligible claimants* on such terms (including any terms requiring repayment in whole or in part) and on such conditions as it thinks fit (subject to *COMP* 10); or
- (2) secure that payments (subject to *COMP* 10) are made to or on behalf of any such *eligible claimants* by the liquidator, administrator or provisional liquidator by giving him an indemnity covering any such payments or any class or description of such payments.

11.2.4 R If the *FSCS* is satisfied that in principle compensation is payable in connection with any protected claim, but considers that immediate payment in full would not be prudent because of uncertainty as to the amount of the claimant's overall net *claim*, it may decide to pay an appropriate lesser sum in final settlement, or to make payment on account.

...

11.2.6A G COMP 11.2.4R applies to compensation payable in connection with any protected claim. It would, for example, apply to the situation where the FSCS considers it imprudent to make a payment in full because of uncertainty as to the value a court might attribute to a bonus provided for under a long-term insurance contract. In such circumstances the FSCS may make payment of compensation on account to the policyholder in respect of benefits under the contract the value of which is not uncertain.

...

12.2.7 R In calculating the claimant's overall net *claim*, the *FSCS* must take into account any payments to the claimant (including amounts recovered by the *FSCS* on behalf of the claimant) made by the *relevant person* or the *FSCS* or any other *person*, if that payment is connected with the *relevant person's* liability to the claimant.

12.2.8 R The FSCS must calculate the amount of compensation due to the claimant as soon as reasonably possible after it is satisfied that the conditions in COMP 3.2.1 have been met.

...

12.4.11 R Unless the *FSCS* is making arrangements to secure continuity of insurance cover under *COMP 3.3.1R* to ~~and~~ *COMP 3.3.2ER*, the *FSCS* must calculate the liability of a *relevant person* to the claimant under a *long-term insurance contract* in accordance with the terms of the contract as valued in a liquidation of the *relevant person*, or (in the absence of such relevant terms) in accordance with such reasonable valuation techniques as the *FSCS* considers appropriate; ~~and (subject to any limits in *COMP 10.2.3R* and to *COMP 12.4.14R*) pay that amount to the claimant.~~

- 12.4.11A R (1) Unless the *FSCS* is seeking to secure continuity of cover for a *relevant person* under *COMP 3.3.1* to *COMP 3.3.2ER*, it must:
- (a) pay compensation in accordance with *COMP 12.4.11R* for any benefit provided for under a protected *long-term insurance contract* which has fallen due or would have fallen due under the contract to be paid to any *eligible claimant* and has not already been paid; and
 - (b) do so as soon as reasonably practicable after the time when the benefit in question fell due or would have fallen due under the contract (but subject to and in accordance with any other terms which apply or would have applied under the contract).
- (2) If the *FSCS* decides to treat the liability of the *relevant person* under the contract as reduced or (as the case may be) disregarded under *COMP 12.4.14R* then, for the purposes of (1), the value of benefits falling due after the date of that decision must be treated as reduced or disregarded to that extent.
- (3) Unless it has decided to treat the liability of the *relevant person* under the contract as reduced or disregarded under *COMP 12.4.14R* the *FSCS* must not treat as a reason for failing to pay, or for delaying the payment of compensation in accordance with (1), the fact that:
- (a) it considers that any benefit referred to in (1) is or may be excessive in any respect; or
 - (b) it has referred the contract in question to an independent actuary under *COMP 12.4.13R*; or
 - (c) it considers that it may at some later date decide to treat the liability of the *relevant person* under a contract as reduced or (as the case may be) disregarded under *COMP 12.4.14R*;
- save where the *FSCS* decides to exclude certain benefits to the extent that they arise out of the exercise of any option under the

policy (for this purpose option includes, but is not restricted to, a right to surrender the policy).

12.4.12 R The *FSCS* must not treat any bonus provided for under a *long-term insurance contract* as part of the claimant's claim ~~unless it was declared before the beginning of the liquidation.~~ except to the extent that:

- (1) a value has been attributed to it by a court in accordance with the Insurers (Winding Up) Rules 2001 or any equivalent rules or legislative provision in force from time to time; or
- (2) the *FSCS* considers that a court would be likely to attribute a value to the bonus if it were to apply the method set out in those rules.

12.4.13 R (1) If the *FSCS* is:

(a) seeking to secure continuity of cover under COMP 3.3.1R to COMP 3.3.2ER or to calculate the liability owed to an eligible claimant under COMP 12.4.11R; and

(b) considers that the benefits ~~or future benefits~~ provided for under a protected *long term insurance contract* ~~issued by a relevant person~~ are or may be excessive in any respect, having regard to the ~~premiums paid or payable and to any other terms of the contract;~~

the *FSCS* it must refer the contract to an actuary who is independent of the ~~claimant~~ eligible claimant and of the relevant person ~~in default~~.

(2) In this rule and in COMP 12.4.14R, a benefit is only "excessive" if, at the time when the *relevant person* decided to confer or to offer to confer that benefit, no reasonable and prudent *insurer* in the position of the *relevant person* would have so decided given the *premiums payable* and other contractual terms.

12.4.14 R If the *FSCS* is satisfied, following the actuary's written recommendation, that any of the benefits provided for under the contract are or may be excessive, it may treat the liability of the *relevant person* under the contract as reduced or (as the case may be) disregarded for the purpose of any payment made after the date of that decision.

...

Quantification when the *FSCS* is seeking to secure continuity of insurance cover

12.5.1 R [deleted]

12.5.2 R [deleted]

...

13.2.12 G *Compensation costs* are principally the costs incurred in paying compensation, Costs incurred in securing continuity of long-term insurance and, in safeguarding eligible claimants when insurers are in financial difficulties, and in making payments or giving indemnities under COMP 11.2.3R are also treated as *compensation costs*. For funding purposes, these costs are allocated by the *FSCS*, and met by *participant firms*, in the same way as *specific costs*: see *COMP 13.6.6R*.

Annex B

Amendments to the Glossary

In this Annex underlining indicates new text and striking through indicates deleted text. The place where the new definition goes is indicated but it is not underlined.

Insert the following new definition in the appropriate alphabetical position:

reinsurance contract (in *COMP*) a *contract of insurance* covering all or part of a risk to which a *person* is exposed under a *contract of insurance*.

Amendments to the Glossary

claim (1) (in *COMP*) a valid claim made in respect of a civil liability owed by a *relevant person* to the claimant subject to *COMP* 8.2.5R (claims extinguished by operation of law).

(2) ...

compensation costs the costs incurred;
(a) in paying compensation; or
(b) ~~or as a result of making the arrangements set out contemplated in *COMP* 3.3.1R or taking the measures set out contemplated in *COMP* 3.3.3R;~~ or
(c) in making payments or giving indemnities under *COMP* 11.2.3R.

future benefit ~~(in *COMP*) any benefit, provided by a long term insurance contract under which a company in liquidation owes obligations, which has not fallen due to be paid before the beginning of the liquidation.~~

relevant general insurance contract (in *COMP*) any *general insurance contract* other than:
(a) ~~a reinsurance contract; [deleted]~~
(b) *a Lloyd's policy*;
(c) a contract falling within any of the following classes:
(i) *aircraft*;
(ii) *ships*;
(iii) *goods in transit*;
(iv) *aircraft liability*;
(v) *liability of ships*;
(vi) *credit*.