

Government takes action to modernise 100 year-old insurance industry rules

From:

[HM Treasury](#) and [Andrea Leadsom MP](#)

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Insurance Bill introduced to Parliament.



The government has today introduced the Insurance Bill to Parliament, which will support the growth of Britain's insurance industry and help customers by updating the 100 year-old rules governing contracts between businesses and insurers.

The new bill introduces a more modern legal regime which will benefit both insurers and their business customers by increasing transparency and certainty over the rules that govern contracts between them and reducing the number of legal disputes over time.

This will mean that British insurers are better equipped to compete against their global competitors, some of whom have already introduced more modern legal regimes for insurance, while businesses are expected to benefit by around £100m over the next ten years, as a result of factors such as lower litigation and transaction costs.

Economic Secretary to the Treasury, Andrea Leadsom said:

Britain's insurance industry is a major success story, employing over 300,000 people across the country, helping millions of British people and businesses every day and exporting across the globe. We want the industry to continue to grow and provide better services to customers, which is why we need to bring insurance contract law into the 21st century.

The Insurance Bill that the government is introducing today will ensure that Britain's insurers can succeed in the future, while business customers can take advantage of lower costs.

Maurice Tulloch, CEO of Aviva UK & Ireland GI said:

At Aviva, we've been pushing for some time for contracts to be easier to understand and provide greater clarity for customers. Underpinning this is reform of insurance law to make it more relevant for today's businesses.

The bill is a very welcome development which will deliver significant benefits to both customers and the industry, helping make the UK a great place to do business.

John Hurrell, Chief Executive of Airmic, the UK's risk management trade body, said:

We welcome this legislation as it addresses serious shortcomings in the legal framework. The UK is unique amongst advanced economies in that our current legal framework potentially penalises the purchaser of commercial insurance and creates uncertainty over whether policies bought in good faith will pay out in the event of a claim.

The new legislation provides much needed clarity which will be good for business and will help to maintain confidence in the London insurance market.

The bill is the product of recommendations made to the government by the Law Commission and the Scottish Law Commission following eight years of consultation with businesses and insurers. HM Treasury informally consulted on the bill in June 2014.

The reforms contained in the Insurance bill cover three main areas:

- disclosure and misrepresentation in business and other non-consumer insurance contracts. The bill amends the duty on business policyholders to disclose risk information to insurers before entering into an insurance contract, introducing a duty of "fair presentation" of the risk. It also provides the insurer with a number of proportionate remedies for breach of the duty of fair presentation
- warranties. The bill abolishes "basis of the contract" clauses, which have the effect of converting pre-contractual information supplied to insurers into warranties without further discussion. It also provides that the insurer's liability should be suspended, rather than discharged, in the event of a breach of warranty, meaning insurance coverage is restored after a breach of warranty has been remedied
- insurers' remedies for fraudulent claims. The bill provides the insurer with clear, robust remedies when a policyholder submits a fraudulent claim

Fuente: <https://www.gov.uk/government/news/government-takes-action-to-modernise-100-year-old-insurance-industry-rules>