

Insurance law

M05: 2018-19 edition

Web update 1: 29 August 2018

Please note the following update (amendment in **bold**) to your copy of the **M05** 2018-19 study text:

Chapter 6, section C5, page 6/13

C5 Reform of insurable interest (life and life-related insurance)

The English and Scottish Law Commissions consulted on insurable interest both by an Issues Paper in 2008 and as part of their consultation paper, 'Insurance Contract Law: Post Contract Duties and other Issues' in 2011. The Law Commissions sought views on updated proposals in March 2015 **and published a draft Bill designed to give effect to their proposals in April 2016. Following feedback on the Bill, another version was published in June 2018 with a further period of consultation. The deadline for this consultation has since been extended to 31 October 2018.**

The key points to be aware of are:

- **The Insurable Interest Bill only applies to life and life-related insurances (where the insured event is 'death, injury, ill health or incapacity of an individual'). The previous 2016 draft did address non-life insurance contracts but, following feedback, the Commissions accepted that there was little need for legislative reform in this area.**
- **The Bill confirms that life-related insurance is void unless at the time the insured enters into the contract, the insured has an insurable interest in the individual who is the subject of the contract (cl.2(1)).**
- **Under cl.6 of the Bill, s.1 of the Life Assurance Act 1774 will be repealed to the extent that it applies to life-related insurance contracts, and s.2 and s.3 are repealed entirely.**

Clause 2 provides a non-exhaustive list of cases in which insurable interest may be proved in life-related insurance.

Clause 3 regulates return of the premium if the insured makes an untrue or misleading statement about their insurable interest in entering into the contract. If the insured is not a consumer, the insurer does not have to return the premium as a result of the contract being void. However, in consumer insurance, the return or non-return of premium will be subject to a fairness assessment.

Be aware

The 2018 draft Bill does not apply to general (non-life) insurance.



Useful website

To keep up to date with changes, visit:

<https://www.lawcom.gov.uk/project/insurance-contract-law-insurable-interest/>



The Law Commission wishes for the draft Bill to be enacted by the special parliamentary procedure for uncontroversial Law Commission bills.