

Insurable Interest Bill

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Make provision about the law relating to insurable interest

BE IT ENACTED by the Queen’s most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1 Definitions

In this Act—

“a contract of life-related insurance” means a contract of insurance under which the insured event is the death, injury, ill-health or incapacity of an individual, or the life of an individual continuing;

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“insured” means the party to a contract of insurance who is the insured under the contract;

“insurer” means the party to a contract of insurance who is the insurer under the contract.

2 Insurable interest

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(1) A contract of life-related insurance is void unless at the time the insured enters into it the insured has an insurable interest for the purposes of the contract.

(2) An insured has an insurable interest if there is a reasonable prospect that the insured will suffer economic loss if the insured event occurs.

(3) Other circumstances in which an insured has an insurable interest include, in particular, circumstances where—

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(a) the individual who is the subject of the contract—

(i) is the insured,

(ii) is the spouse or civil partner of the insured or lives with the insured as a spouse or civil partner,

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(iii) is, or is treated as, the child or grandchild of the insured;

(b) the individual who is the subject of the contract is a member of a pension or other group scheme which is administered by the insured (whether as a trustee or otherwise);

- (c) the contract is for the benefit of the individual who is the subject of the contract, or a nominee of that individual.
- (4) Where the insured is the trustee of a trust, the insured has an insurable interest for the purposes of a contract in any circumstance where the settlor or trustee of the trust would have had an insurable interest for the purposes of that contract. 5
- (5) For the purposes of insurable interest, a contract of life-related insurance may provide that a reference to a category or description of individual includes individuals who do not fall within that category or meet that description at the time the contract is entered into, but who subsequently fall within that category or meet that description (including individuals who are not in existence at that time). 10
- 3 Effect of untrue statements**
- (1) If in entering into a contract which is void by virtue of this Act—
- (a) the insured makes an untrue or misleading statement about the insurable interest concerned, and 15
- (b) the insured knows the statement is untrue or misleading, or does not care whether or not the statement is true or misleading, the insurer need not return any of the premiums paid.
- (2) In the case of a consumer insurance contract subsection (1) does not apply to the extent (if any) that it would be unfair to the insured for the insurer to retain the premiums. 20
- (3) A “consumer insurance contract” means a contract of insurance between—
- (a) an individual who enters into the contract wholly or mainly for purposes unrelated to the individual’s trade, business or profession, and 25
- (b) a person who carries on the business of insurance and who becomes a party to the contract by way of that business (whether or not in accordance with permission for the purposes of the Financial Services and Markets Act 2000). 30
- 4 Relationship with existing law**
- The provision made by this Act replaces any other rule of law relating to the requirement of an insurable interest for the purposes of a contract of life-related insurance.
- 5 Exclusion for marine insurance contracts** 35
- Nothing in this Act has effect in relation to a contract of marine insurance, as defined by section 1 of the Marine Insurance Act 1906.
- 6 Repeals and consequential amendments**
- (1) In the Life Assurance Act 1774—
- (a) section 1 is repealed to the extent that it applies in relation to contracts of life-related insurance, and 40
- (b) sections 2 and 3 are repealed.

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- (2) The Marine Insurance Act 1788 and the Marine Insurance (Gambling Policies) Act 1909 are repealed.
 - (3) The Schedule contains consequential amendments.

7 Short title, commencement, application and extent

- (1) This Act may be cited as the Insurable Interest Act 2018. 5
- (2) This Act comes into force at the end of the period of two months beginning with the day on which it is passed.
- (3) This Act applies only in relation to contracts entered into after the Act comes into force.
- (4) But in relation to any contract entered into before the commencement of this Act, an insured who would have an insurable interest for the purposes of this Act is deemed to have an insurable interest for the purposes of that contract. 10
- (5) This Act extends to England and Wales and Scotland only.

SCHEDULE

Section 6

CONSEQUENTIAL AMENDMENTS

- 1 In the Local Government Act 1972, in section 140(3) (insurance by local authorities against accidents to members) and section 140C(3) (provisions supplementary to sections 140A and 140B) for “the Life Assurance Act 1774” substitute “the Insurable Interest Act 2018”. 5
- 2 In section 86(3) of the Local Government (Scotland) Act 1973 (insurance by local authorities against accidents to members) for “the Life Assurance Act 1774” substitute “the Insurable Interest Act 2018”.
- 3 Section 50 of the Insurance Companies Amendment Act 1973 (validation of certain group policies) is repealed. 10
- 4 In section 18 of the Foster Children (Scotland) Act 1984 (avoidance of insurances on lives of foster children) for the words from “shall” to the end of the section substitute “does not have an insurable interest in the child for the purposes of the Insurable Interest Act 2018”. 15
- 5 In paragraph 11 of Schedule 8 to the Children Act 1989 (privately fostered children), for the words from “shall” to the end of the paragraph substitute “does not have an insurable interest in the child for the purposes of the Insurable Interest Act 2018”.
- 6 In paragraph 1(3) of Schedule 2 to the Land Drainage Act 1991 (payment of expenses etc of members and officers) for “the Life Assurance Act 1774” substitute “the Insurable Interest Act 2018”. 20
- 7 Section 99 of the Friendly Societies Act 1992 (insurance of lives of children under 10) is repealed.
- 8 Section 253 of the Civil Partnership Act 2004 (civil partners to have unlimited insurable interest in each other) is repealed. 25