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STATUTORY INSTRUMENTS

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**1993 No. 1327**

**INSURANCE**

**The Insurance Companies (Cancellation) Regulations 1993**

*Made* - - - - - *19th May 1993*

*Coming into force* - - - - - *20th May 1993*

Whereas the Secretary of State is a Minister designated<sup>(1)</sup> for the purposes of section 2(2) of the European Communities Act 1972<sup>(2)</sup> in relation to the authorisation of the carrying on of insurance business and the regulation of such business and its conduct;

And whereas a draft of these Regulations has been approved by a resolution of each House of Parliament;

Now, therefore, the Secretary of State in exercise of the powers conferred on him by section 2(2) of that Act and of all other powers enabling him in that behalf hereby makes the following Regulations:

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**Citation, commencement and interpretation**

1.—(1) These Regulations may be cited as the Insurance Companies (Cancellation) Regulations 1993 and shall come into force on 20th May 1993.

(2) In these Regulations “the 1982 Act” means the Insurance Companies Act 1982<sup>(3)</sup>.

**Rights of cancellation**

2.—(1) For subsection (1) of section 75 of the 1982 Act (statutory notice by insurer in relation to long term policy) substitute—

“(1) Subject to subsections (5) and (5A) below, unless the requirements of subsection (1A) below are fulfilled—

- (a) no insurance company to which Part II of this Act applies and no member of Lloyd’s shall enter into a contract the effecting of which constitutes the carrying on of long term business; and
- (b) no company which has been authorised in accordance with Article 6 of the first long term insurance Directive shall enter into a contract the effecting of which

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(1) S.I.1976/2141.  
(2) 1972 c. 68.  
(3) 1982 c. 50.

constitutes the provision in the United Kingdom of long term insurance within the meaning of Part IIIA of this Act(4).

(1A) The requirements of this subsection are that—

- (a) the company or member (“the insurer”) sends by post to the other party to the contract, at or before the time when it is entered into, a statutory notice in relation to the contract; or
- (b) in the case of an EC contract, a representative of the insurer gives such a notice to that party at that time.

(1B) Where, in the case of an EC contract, a statutory notice is sent to the other party to the contract before the time when it is entered into, the insurer shall, not later than 14 days after the contract has become binding, inform that party in writing that it has done so. ”.

(2) In subsection (5) of that section, for the words “any contract” substitute the words “any non-EC contract”.

(3) After that subsection insert—

“(5A) Subsection (1) of this section does not apply to a contract if the party other than the insurer is habitually resident in a member State other than the United Kingdom.

(5B) For the purposes of this section and section 76 below, “EC contract” means a contract to which subsection (1) above applies which fulfils the following conditions, namely—

- (a) the insurer is a company whose head office is in a member State or a member of Lloyd's; and
- (b) the other party is habitually resident in the United Kingdom;

and “non-EC contract” means a contract to which subsection (1) above applies which is not an EC contract.

(5C) In the case of a contract involving two or more parties other than the insurer, this section and section 76 below shall have effect as if a separate contract were being or had been entered into by the insurer with each of those parties. ”.

(4) For subsection (1) of section 76 of the 1982 Act (right to serve notice of cancellation in respect of long term policy) substitute—

“(1) A person who has received a statutory notice in relation to an EC contract may, before the expiration of the fourteenth day after that on which he is informed in writing that the contract has become binding, serve a notice of cancellation on the insurer.

(1A) A person who has received a statutory notice in relation to a non-EC contract may, before the expiration of—

- (a) the tenth day after that on which he received the notice, or
- (b) the earliest day on which he knows both that the contract has been entered into and that the first or only premium has been paid,

whichever is the later, serve a notice of cancellation on the insurer. ”.

(5) In subsection (2) of that section, for the words “subsection (1)” substitute the words “subsection (1) or (1A)”.

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(4) Part IIIA was inserted by S.I. [1990/1333](#), reg. 10 and amended by S.I. [1992/2890](#), reg. 7 and by S.I. [1993/174](#), reg. 4.

### **Minor corrections of 1982 Act**

3.—(1) Renumber the section 49A of the 1982 Act inserted by regulation 3(4) of the Insurance Companies (Amendment) Regulations 1993<sup>(5)</sup> (modifications of section 49 in certain cases) as section 49B of that Act and transpose that section as so renumbered to after the section 49A of that Act inserted by paragraph 6(2) of Schedule 21 to the Friendly Societies Act 1992<sup>(6)</sup>.

(2) After subsection (1) of section 81A of the 1982 Act (introductory provisions) as substituted by regulation 4(2) of the Insurance Companies (Amendment) Regulations 1993 insert—

“(1A) References in this Part to relevant motor vehicle risks are to risks (other than carrier’s liability) falling within class 10 of Schedule 2 to this Act (motor vehicle liability).”.

19th May 1993

*Neil Hamilton*  
Parliamentary Under-Secretary of State,  
Department of Trade and Industry

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(5) S.I. 1993/174.  
(6) 1992 c. 40.

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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations make amendments to the Insurance Companies Act 1982 (“the 1982 Act”). The main purpose of the Regulations is to amend the 1982 Act to implement Article 15 of Council Directive [90/619/EEC](#) relating to life assurance (O.J. No. L330, 29.11.90, p.50) as amended by Article 30 of Council Directive [92/96/EEC](#) relating to life assurance (O.J. No. L360, 9.12.92, p.1). Article 15 of Council Directive [90/619/EEC](#) gives a policy holder who has purchased an individual life assurance contract on a cross border basis a period of between 14 and 30 days during which he may cancel that contract. Member States may remove this right of cancellation from contracts of six months' duration or less. Article 30 of Council Directive [92/96/EEC](#) extends this right of cancellation to any policy holder who purchases an individual life assurance contract from an insurance undertaking with a head office in a member State. This right of cancellation may be removed where the policy holder does not require protection because of his status or because of the circumstances in which the contract is concluded.

The provisions to implement Article 15 of Council Directive [90/619/EEC](#) as amended by Article 30 of Council Directive [92/96/EEC](#) are contained in regulation 2. Regulation 3 further implements Council Directive [90/618/EEC](#) (O.J. No. L330, 29.11.90, p.44) by inserting a definition of “relevant motor vehicle risks” into section 81A of the 1982 Act.

**Regulation 1** makes provision for the citation and commencement of the Regulations and defines the 1982 Act.

**Regulation 2** amends section 75 of the 1982 Act by:

- (a) extending subsection (1) to apply to industrial insurance and to insurance companies providing insurance in the United Kingdom in accordance with Part IIIA of the 1982 Act;
- (b) inserting a new subsection (1A) which permits the notice of cancellation to be delivered by hand;
- (c) inserting a new subsection (1B) which requires an insurer which has entered into an EC contract to inform the other party when that contract becomes binding;
- (d) inserting a new subsection (5A) which disapplies section 75(1) where the party to the contract other than the insurer is habitually resident in a member State other than the United Kingdom;
- (e) inserting a new subsection (5B) which defines “EC contract” and “non-EC contract”; and
- (f) inserting a new subsection (5C) which provides that, where there are two or more parties to the contract other than the insurer, sections 75 and 76 apply as if the insurer had entered into a separate contract with each of those parties.

It also amends section 76 of the 1982 Act by:

- (a) amending subsection (1) to give a person who has taken out an EC contract a 14 day period during which he may cancel the contract, commencing on the date on which he was informed that the contract became binding; and
- (b) extending subsection (2) to EC contracts.

**Regulation 3** renumbers section 49A of the 1982 Act concerning modifications of section 49 in certain cases and inserts a new subsection (1A) into section 81A of the 1982 Act to define the term

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“relevant motor vehicle risks”. The insertion of this definition of “relevant motor vehicle risks” by regulation 3(2) further implements Council Directive [90/618/EEC](#) (O.J. No. L330, 29.11.90, p.44).