

1978 No. 1304**INSURANCE**
**The Insurance Companies (Notice of Long-Term Policy)
Regulations 1978**

<i>Made - - - -</i>	<i>4th September 1978</i>
<i>Laid before Parliament</i>	<i>5th September 1978</i>
<i>Coming into Operation</i>	<i>1st January 1980</i>

The Secretary of State, in exercise of his powers under sections 65, 85 and 86 of the Insurance Companies Act 1974(a) and of all other powers enabling him in that behalf, hereby makes the following Regulations:—

Citation and commencement

1. These Regulations may be cited as the Insurance Companies (Notice of Long-Term Policy) Regulations 1978 and shall come into operation on 1st January 1980.

Interpretation

2.—(1) In these Regulations—

“the Act” means the Insurance Companies Act 1974(a);

“linked long-term contracts” means contracts of the kind described in section 68(1)(b) of the Act;

“ordinary long-term contracts” means contracts of the kind mentioned in section 83(2) of the Act;

“notice of cancellation” means a notice mentioned in section 65(2)(b) of the Act;

“statutory notice” means a notice mentioned in section 65(2) of the Act, and references to a numbered Schedule are references to the Schedule of that number in these Regulations.

(2) In paragraphs 4 and 5 of the form set out in Schedule 1 and in paragraphs 5 and 6 of the form set out in Schedule 2, the reference to a name shall be deemed to include a reference to the description or title of the person concerned.

(3) The Interpretation Act 1889(b) shall apply for the interpretation of these Regulations as it applies for the interpretation of an Act of Parliament.

(a) 1974 c. 49.

(b) 1889 c. 63.

Form and contents of statutory notices and notices of cancellation

- 3.—(1) Subject to the provisions of paragraphs (2) to (9) below—
- (a) a statutory notice in relation to an ordinary long-term contract which is not a linked long-term contract shall have the contents and be in the form set out in Schedule 1;
 - (b) a statutory notice in relation to an ordinary long-term contract which is a linked long-term contract shall have the contents and be in the form set out in Schedule 2;
 - (c) the notice of cancellation annexed to a statutory notice shall be a tear-off slip and shall have the contents and be in the form set out in Schedule 3.
- (2) A statutory notice shall be printed on a single sheet of paper, and—
- (a) if the notice is so printed that its text is continued on the back of the paper, the symbol and word “/over” shall be printed below that part of the text which appears on the front of the paper; and
 - (b) if the notice is so printed that its text appears entirely on one side of the paper, the notice of cancellation annexed thereto shall be so printed that not more than the last two lines of the text of that notice appears on the other side of the paper.
- (3) The lettering of statutory notices and notices of cancellation shall be easily legible and of a colour which is readily distinguishable from the colour of the paper; and capital letters and figures shall be used in all the places in which they are shown in the form as set out in each Schedule.
- (4) Except as provided in paragraph (5) below, no capital letter or figure in a statutory notice or a notice of cancellation shall be less than 2 millimetres high with lower case letters in proportion.
- (5) The provision of paragraph (4) above shall not apply to the lettering of the following items in a statutory notice which shall be smaller than all other lettering—
- (a) the statement in brackets appearing beneath the words “STATUTORY NOTICE RELATING TO LONG-TERM INSURANCE CONTRACT”, and
 - (b) the two foot-notes.
- (6) In statutory notices the lettering of the words “IMPORTANT—YOU SHOULD READ THIS CAREFULLY” shall be set out in larger and bolder printing than all other lettering.
- (7) In statutory notices and notices of cancellation the lettering of all main headings and sub-headings shall be set out in bolder printing than all other lettering.
- (8) In statutory notices and notices of cancellation there shall be substituted for words contained within square brackets in the appropriate Schedule and for the square brackets containing them the information or wording which, as indicated by those words, should be inserted there.
- (9) Statutory notices and notices of cancellation shall be printed in roman or upright sanserif lettering, but the information or wording referred to in paragraph (8) above may be inserted in manuscript or otherwise after a notice has been printed.

Exemptions

4. These Regulations shall not apply to the following contracts that is to say—
- (a) contracts which, by virtue of section 4(2) of the Policyholders Protection Act 1975(a), would not be regarded as United Kingdom contracts for the purposes of that Act;
 - (b) contracts of the kind mentioned in section 83(2)(b) of the Act;
 - (c) contracts for which the proposer is not an individual;
 - (d) contracts which form part of a retirement benefits scheme approved by the Board of the Inland Revenue under section 19 or 20 of the Finance Act 1970(b) as amended by section 21 of the Finance Act 1971(c);
 - (e) contracts approved by the Board of the Inland Revenue of the kind described in sections 226(13) and 226A(1) of the Income and Corporation Taxes Act 1970(d) as amended by Schedule 2 to the Finance Act 1971;
 - (f) contracts for which the proposer or, if there is more than one proposer, at least one of the proposers is neither a person on whose life the contract is made nor the spouse of such a person;
 - (g) contracts of term assurance, other than convertible term assurance, effected for periods of seven years or less;
 - (h) contracts into which the proposer is required to enter in order to obtain credit under a personal credit agreement of the kind mentioned in section 8(1) of the Consumer Credit Act 1974(e);
 - (i) contracts under which the benefits payable are secured by payment of a single premium.

Stanley Clinton Davis,
Parliamentary Under-Secretary of State,
Department of Trade.

4th September 1978.

(a) 1975 c. 75.
(d) 1970 c. 10.

(b) 1970 c. 24.
(e) 1974 c. 39.

(c) 1971 c. 68.

SCHEDULE 1

(See Regulation 3(1)(a))

FORM AND CONTENTS OF STATUTORY NOTICE RELATING TO ORDINARY LONG-TERM CONTRACTS WHICH ARE NOT LINKED LONG-TERM CONTRACTS.

Form 1

IMPORTANT—YOU SHOULD READ THIS CAREFULLY**STATUTORY NOTICE* RELATING TO LONG-TERM INSURANCE CONTRACT**

(This notice does not form part of the contract to which it relates. The terms and conditions of the contract will be set out in the policy document.)

YOUR RIGHT TO CHANGE YOUR MIND

1 You have proposed entering into a long-term insurance contract with [name of the insurer with whom the contract is being entered into]. In entering into this contract you are undertaking to pay premiums in return for which you, or other persons chosen by you, will become entitled to receive benefits, payable in circumstances set out in the policy. It is, therefore, important for you to be sure that the contract meets your needs. The law† gives you 10 days from the day on which you receive this notice (or in some cases longer—see paragraph 5) to consider the matter again and, if you so wish, to withdraw from the transaction. Some of the points you should consider in deciding whether the contract meets your needs are set out in paragraphs 2 and 3.

POINTS YOU SHOULD CONSIDER**2 Premiums and benefits**

- (a) How much are you undertaking to pay by way of premiums, at what intervals, and over what period?
- (b) What benefits is the insurer promising to pay when you die (or when your wife or husband dies)?
- (c) Is the insurer promising to pay benefits at any time before you die? If so, what are they? In what circumstances will they be paid?
- (d) Are the benefits limited to the amounts specified in the contract or does the contract provide for entitlement to additional benefits in the form of a share in future profits of the insurer?

3 **Stopping the payment of premiums** In case you later wish to discontinue payment of premiums, you should consider what the entitlement to benefits would be in those circumstances. Possibilities are:—

- (i) **Paid-up Policy** In some cases—normally savings-type policies—the insurer may agree to convert your policy into a “paid-up” policy, provided that a certain number of years’ premiums have been paid. This means that, although you would pay no more premiums, the policy would remain in force but the benefits would be reduced. Some policies give a right to conversion to a “paid-up” policy, but unless your policy does so it will be for the insurer to decide whether or not he agrees to convert it and, if so, on what terms. Some policies cannot in any circumstances be converted in this way.
- (ii) **Surrender** As an alternative to a “paid-up” policy you might prefer to ask for a cash sum in return for surrendering the policy. This cash sum is known as the “surrender value”. Unless it is guaranteed in the policy it will be for

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† Section 66 of the Insurance Companies Act 1974.

the insurer to decide whether such a sum is payable, and how much it will be. The surrender value may well be less than the total of premiums paid by you up to the date of surrender, particularly in the early years in which the policy is in force, when no sum may be payable at all. Some policies do not in any circumstances have a surrender value.

4 Further information If you need further information about the contract you should get in touch as soon as possible either with the person who arranged the insurance for you or with [name, address, telephone number of appropriate contact]. If you are not satisfied with the information you get within 10 days of receiving this notice you may wish to exercise your right to withdraw from the transaction.

RIGHT TO WITHDRAW FROM THE TRANSACTION

5 If you wish to go ahead with the transaction you should do nothing with the attached cancellation notice. But if you wish to withdraw and to have back any money you have paid to the insurer or his agent in connection with the contract, you should send notice of cancellation (either on the form attached to this document or otherwise in writing to the same effect) to [insert either the name and address of the person to whom a notice of cancellation may be sent or, if that person is the same as that named in the preceding paragraph, the words "the person whose name and address are given in the preceding paragraph"], and you must post it before the end of—

- the tenth day after the day on which you received this notice; or
- the earliest day on which you know both that the contract has been entered into and that the first premium has been paid,

whichever is the later.

This notice relates to insurance contract reference [contract reference number or code]. Please quote this reference in any correspondence.

SCHEDULE 2

(See Regulation 3(1)(b))

FORM AND CONTENTS OF STATUTORY NOTICE RELATING TO LINKED LONG-TERM CONTRACTS.

Form 2

IMPORTANT—YOU SHOULD READ THIS CAREFULLY**STATUTORY NOTICE* RELATING TO LONG-TERM INSURANCE CONTRACT**

(This notice does **not** form part of the contract to which it relates. The terms and conditions of the contract will be set out in the policy document.)

YOUR RIGHT TO CHANGE YOUR MIND

1 You have proposed entering into a long-term insurance contract with [name of the insurer with whom the contract is being entered into]. In entering into this contract you are undertaking to pay premiums in return for which you, or other persons chosen by you, will become entitled to receive benefits, payable in circumstances set out in the policy. It is, therefore, important for you to be sure that the contract meets your needs. The law† gives you 10 days from the day on which you receive this notice (or in some cases longer—see paragraph 6) to consider the matter again and, if you so wish, to withdraw from the transaction. Some of the points you should consider in deciding whether the contract meets your needs are set out in paragraphs 2 to 4.

POINTS YOU SHOULD CONSIDER**2 Premiums and fixed benefits**

- (a) How much are you undertaking to pay by way of premiums, at what intervals, and over what period?
- (b) Is the insurer promising to pay any benefits of fixed amount when you die (or when your wife or husband dies)? If so, what are they?
- (c) Is the insurer promising to pay benefits of fixed amount at any time before you die? If so, what are they? In what circumstances will they be paid?

3 **Variable (“linked”) benefits** The contract is a linked life assurance contract. Briefly, this means that some or all of the benefits the insurer promises to pay are not fixed sums of money. The value of these benefits will depend, for example, on the value of certain assets—or on the level of an index of asset values—when the time comes for the insurer to pay them; and the amount to be paid will be calculated according to a formula laid down in the policy. As the value of most assets can go up or down, so the amount of benefits at the time they are paid may be more or may be less than if the calculation were made now. You should also remember that, although the benefits may be related to the value of particular assets, those assets do not belong to you: the premiums you pay are for entitlement to the benefits under the contract. Here, then, are some other points you should consider:—

- (a) How much of the premiums will go towards providing linked benefits?
- (b) In what circumstances is the insurer promising to pay linked benefits?

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† Section 66 of the Insurance Companies Act 1974.

- (c) To what asset values or indices will the benefits be linked? How will the benefits be calculated? How far will the benefits be affected by the income the insurer receives from the linked assets or by his tax liability in respect of them?
- (d) If the benefits are to be calculated wholly or partly on the basis of units in an investment fund owned or managed by the insurer—what is the name of the fund? in what types of asset may the fund be invested? how far may the insurer's management or other expenses be met from the fund? is there any provision allowing the insurer to postpone payment of the benefits?

4 Stopping the payment of premiums In case you later wish to discontinue payment of premiums, you should consider what the entitlement to benefits would be in those circumstances. Possibilities are:—

- (i) **Paid-up Policy** The insurer may agree to convert your policy into a “paid-up” policy. This means that, although you would pay no more premiums, the policy would remain in force but the benefits would be reduced. Some policies give a right to conversion to a “paid-up” policy, but unless your policy does so it will be for the insurer to decide whether or not he agrees to convert it and, if so, on what terms.
- (ii) **Surrender** As an alternative to a “paid-up” policy you might prefer to ask for a cash sum in return for surrendering the policy. This cash sum is known as the “surrender value”. It may well be less than the total of premiums paid by you up to the date of surrender, particularly in the early years in which the policy is in force; indeed, some policies have no surrender values in the first 2 years or so.

5 Further information If you need further information about the contract you should get in touch as soon as possible either with the person who arranged the insurance for you or with [name, address, telephone number of appropriate contact]. If you are not satisfied with the information you get within 10 days of receiving this notice, you may wish to exercise your right to withdraw from the transaction.

RIGHT TO WITHDRAW FROM THE TRANSACTION

6 If you wish to go ahead with the transaction you should do nothing with the attached cancellation notice. But if you wish to withdraw and to have back any money you have paid to the insurer or his agent in connection with the contract, you should send notice of cancellation (either on the form attached to this document or otherwise in writing to the same effect) to [insert either the name and address of the person to whom a notice of cancellation may be sent or, if that person is the same as that named in the preceding paragraph, the words “the person whose name and address are given in the preceding paragraph”], and you must post it before the end of—

- the tenth day after the day on which you received this notice; or
- the earliest day on which you know both that the contract has been entered into and that the first premium has been paid,

whichever is the later.

This notice relates to insurance contract reference [contract reference number or code]. Please quote this reference in any correspondence.

SCHEDULE 3

(See Regulation 3(1)(e))

FORM AND CONTENTS OF NOTICE OF CANCELLATION.

NOTICE OF CANCELLATION

(To be returned only if you wish to cancel the contract)

To [name of insurer]

I hereby give notice that I have decided not to proceed with this insurance contract;
and I require the return of any money paid to you or your agent in connection with it.

Signed.....

Date

[Name and address of the person to whom the Statutory Notice is being sent]

This notice relates to insurance contract reference [contract reference number or code].

EXPLANATORY NOTE

(This Note is not part of the Regulations.)

These Regulations prescribe the form and contents of the statutory notice which an insurer is required to send to the other party to an ordinary long-term insurance contract pursuant to section 65(1) of the Insurance Companies Act 1974. The contents prescribed for statutory notices which relate to contracts which are not linked long-term contracts differ from those prescribed for linked long-term contracts. The Regulations also prescribe the form of the notice of cancellation required to be annexed to a statutory notice by virtue of section 65(2)(b) of the Act. Provision is made for exemption for certain types of contract (see Regulation 4).

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