

**FROM:** Head, International Relations, Business Development  
Unit  
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**SUBJECT:** TERM LIFE BUSINESS  
**ACTION POINTS:** **For Information**

Lloyd's life underwriters may currently write term life business only up to a maximum term of ten years. This maximum term was stipulated by a decision of the Committee of Lloyd's in 1980.

The Lloyd's Market Board's recent document entitled '*Priorities for Growth, 2000-2003*' stated that the necessary changes to Lloyd's rules would be made during 2000 to enable Lloyd's life underwriters to write non-investment term life business up to 25 years.

In furtherance of that objective, the Council of Lloyd's adopted a Special Resolution on 2 February 2000 which agreed that Lloyd's life underwriters may write, with effect from the 2001 year of account, non-investment term life business up to a maximum term of twenty-five years. This decision was subject to the following conditions:

- that members underwriting life business are advised by their agents of this extension in the maximum term and whether the syndicate (or syndicates) in respect of which they participate, or propose to participate, intends to write business of any increased period, whether or not up to the maximum term;
- that no life syndicate shall write business that is or includes annuities without the permission of the Council;
- that no life syndicate shall write endowment policies without the permission of the Council;

- that no life syndicate shall write business that includes pensions or contracts to manage the assets of pension funds or such contracts when combined with contracts of insurance covering either conservation of capital or payment of minimum interest without the permission of the Council;
- that term life business will be subject to such byelaws, rules, regulations or other requirements as the Council may from time to time specify.

The Council's Special Resolution is permissive. It is for the managing agents and life syndicates to decide the extent to which they avail themselves of this freedom to write non-investment term life business up to the maximum term of 25 years.

Under financial services legislation, a term life contract will be viewed as an investment contract if the term of the contract both exceeds ten years and provides for benefits to be payable on the death of the assured at the age of 70 years or at a greater age. It follows that a term life contract (containing no savings elements or surrender value) will not be deemed to be an investment contract if it is of a term up to ten years or if it is of a term between ten and twenty-five years and the benefits are payable on death prior to the assured reaching the age of 70 years.

To ensure compliance with the provisions of the EU Insurance Accounts Directive in respect of term life contracts with a term of more than ten years, amendments to the Lloyd's Syndicate Accounting Byelaw will be submitted for approval by the Council of Lloyd's later this year. These amendments relate to the content and format of the underwriting report for term life contracts with such a term. Once these amendments have been approved, all the necessary internal changes to Lloyd's rules to permit non-investment term life business to be written by Lloyd's life underwriters with effect from the 2001 year of account will have been completed. A further Market Bulletin will then be issued providing details of the changes to the Syndicate Accounting Byelaw

Attached is a list of overseas countries in which Lloyd's life underwriters are permitted to write term life business.

This Bulletin is being sent to Lloyd's active Underwriters, Managing Agents, Members' Agents and Lloyd's Brokers.

Alastair M Evans  
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## Territories Where Lloyd's Underwriters Are Licensed To Write Term Life Contracts

Austria <sup>°</sup>	Iceland <sup>°</sup>	Papua New Guinea
Bahamas	Ireland	Portugal <sup>°</sup>
Belgium	Israel	South Africa <sup>*</sup>
British Virgin Islands	Italy <sup>°</sup>	Spain <sup>°</sup>
Cayman Islands	Jamaica	St Vincent
Cuba <sup>†</sup>	Liechtenstein <sup>°</sup>	Sweden <sup>°</sup>
Denmark <sup>°</sup>	Luxembourg <sup>°</sup>	Trinidad & Tobago <sup>†</sup>
Finland <sup>°</sup>	Mauritius	United States <sup>W</sup>
France <sup>°</sup> (& territories)	Mexico <sup>†</sup>	Vanuatu
Germany	Monaco	Zimbabwe
Gibraltar	Netherlands	
Greece	New Zealand <sup>‡</sup>	
Hong Kong	Norway <sup>°</sup>	United Kingdom (including the Isle of Man and the Channel Islands)

\* Lloyd's can write term life business for a term of less than 5 years. It cannot write funeral expenses insurance.

† Reinsurance only

‡ Direct assured only

° Freedom of services authorisation only.

**W** Direct life business cannot be written. As Lloyd's is not accredited to write life business, reinsurance contracts must be supported by a letter of credit in order for the cedent to take credit in its financial statement.

Note: Lloyd's underwriters may underwrite term life insurance, provided the contracts do not contain any element of investment. Lloyd's current rules permit a maximum term of 10 years. (Note: as advised in the covering circular, the maximum term for non-investment term life contracts that may be written by Lloyd's underwriters will be increased to 25 years with effect from the 2001 Year of Account.) Lloyd's underwriters must comply with the relevant Lloyd's licence conditions and conduct of business rules applicable in jurisdictions where the risk is located.