

MARKET BULLETIN

From Director, Worldwide Markets (extn 6677)

Date 16 May 2006

Reference Y3813

Subject **New regulations for life insurance in Italy**

Subject areas Italian term life business

Attachments 1. Example of cover page
2. Disclosure note

Action points

Deadlines **With immediate effect**

Background

In March 2005, ISVAP, the Italian insurance regulator issued circular letter 551/D introducing new provisions aimed at ensuring transparency in the distribution of life assurance products. The recently approved Code of Insurance ratifies these provisions which are likely to be extended in the near future to non-life business.

According to the circular letter insurers are required to draw up an 'information pack', which insurance intermediaries must deliver to potential policyholders before underwriting a life insurance contract.

Lloyd's Underwriters are authorised to write Italian term life business on a freedom of services basis. With regard to term life contracts specifically the 'information pack' should include the following documents:

- a) the **disclosure note** (see item 2 below)
- b) the **insurance conditions**
- c) the **glossary**
- d) the **proposal form** (see item 3 below)

The questionnaire provided in Art. 28 of ISVAP circular letter, which intermediaries are expected to deliver to perspective insureds in order to ensure the adequacy of the contractual proposal, is not applicable to Lloyd's in line with the content of subsequent Art. 34. The latter, in fact, confirms that EU insurers operating under Art. 69 and 70 of Law Decree 174/95 are not obliged to fulfil requirements as per Art. 28 of the circular letter.

1) General provisions

- i) All documents included in the Information Pack shall be numbered on each page also showing the total number of pages (1 of 6, 2 of 6, etc.) and, at the end of the pack, the date of the last update should appear.
- ii) The **cover page** (see example – Attachment 1) of the Information Pack should only state:
 - a) name, logo and brand of the insurer
 - b) the heading: *“Contratto di ... (type and commercial name of the contract)”*
 - c) the sentence in bold letters: *“This Information Pack containing (list of documents) must be delivered to the policyholder before his/her signing the proposal form)”*
 - d) the sentence in bold letters: *“Please read the disclosure note carefully before signing the contract”*
- iii) In drawing up pre-contractual and contractual documentation, insurers shall:
 - a) use clear and concise language so that the policyholder can understand the contents of the contract to be signed and the guarantees being offered
 - b) draw up a glossary explaining the meaning of the technical terms
 - c) use a typeset of not less than 11 and graphic, layout and editing arrangements that facilitate the reading of documents.
 - d) use bold letters for any clauses which may include risks, limitations, burdens, obligations and forfeitures as well as the “Warnings” included in the disclosure note
 - e) ensure consistency of information and clauses included in one document and between the various documents contained in the Information Pack
 - f) not include sentence or wordings of an advertising or promotional nature.

2) Provisions regarding the disclosure note

The standard wording to be used specifically for Term Life insurance contracts is attached (attachment 2). It has been prepared by a lawyer following the instructions given by ISVAP. The note duly informs the user about any other information which needs to be included to complete the Disclosure Note which refers to the specific insurance wording.

The inclusion of supplementary information should be limited to making the features of the contract more understandable.

The disclosure note should never include any reference which confirms, even indirectly, that ISVAP has approved its content.

The attached Disclosure Note is not for use in the event of a group policy, in which case the wording needs to be amended and duly integrated as required by the ISVAP provision. For group policy, the Disclosure Note is expected to be delivered only to the contracting party.

3) Provisions regarding the proposal form

- i) This is an integral part of the Information Pack and is made up of a number of detachable sheets of self-copying paper. If using IT systems for the issue of contracts, insurers may also follow other procedures on condition that it is ensured the identity between the information acquired by the insurer and that stated in the copy delivered to the policyholder and that the progressive numbering as per item 1i is complied with.
- ii) For contracts for which it is necessary to obtain information relating to the health of the insured, the proposal shall include, in bold letters, the following warnings relating to the compilation of the relevant questionnaire:
 - a) untruthful, inexact or incomplete declarations made by the subject authorised to provide the information requested for the conclusion of the contract can compromise the right to the indemnity
 - b) before signing the questionnaire, the subject must check that the statements made in the questionnaire are correct
 - c) also in those cases not specifically envisaged by the insurer, the insured can request to undergo a medical examination to certify the health status whilst bearing the relevant cost.
- iii) The proposal form shall include a declaration, with appropriate typographic letters in terms of size and format, for the insured to sign to confirm receipt of the Information Pack.
- iv) The proposal form shall include the description of the means for the payment of the premium accepted by the insurer. In cases where the method of payment is not directly addressed to the insurer (or its agent/not broker), the following warning needs to be included using bold letters:

“Attention: in case the premium is paid in cash or using means not directly addressed to the insurer or its agent in the capacity as the insurer’s intermediary, proof of the payment to the insurer shall consist in the indication of the sum paid and the signature by the subject who physically collects the sums and whom this proposal form is delivered to”. A special section needs thus to appear showing the amount of the premium collected, the details and the signature of the subject who collects the premium.

Further information:

Further information can be obtained:

In Italy from Lloyd's Italian office:

Carolia Pisani Tel: +39 02 551 93121
 Email: carola.pisani@lloyds.it

In London:

Lloyd's Worldwide Market Services
Tel: 020 7327 6677
Email: market.services@lloyds.com
Box 190b, Gallery 1

This bulletin is being sent to all members' agents, direct corporate members, managing agents, recognised accountants, market associations, underwriters and Lloyd's brokers for information.

Julian James
Director, Worldwide Markets
Worldwide Markets

LLOYD'S

**INSURERS' ASSOCIATION
ESTABLISHED IN 1688
with registered office at One Lime Street.
London EC3M 7HA**

Term Life Insurance Policy with fixed capital¹²

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This Information File includes an “Information Memorandum”, “Terms of Insurance”, “Glossary”, “Insurance Offer” and shall be delivered to the Policy Holder before the Insurance Offer is signed.

Before signing, please read the Information Memorandum carefully.

¹ I consider that this text be exclusively addressed to life insurance policies which fall within the definition herein.

² We need to specify whether this is a “flat premium” or a “recurring premium” policy.

³ The commercial name of the product, if any, is to be inserted.

INFORMATION MEMORANDUM

This Information Memorandum is drafted according to the schedule prepared by ISVAP, although its content is not subject to ISVAP's prior approval.

This Information Memorandum is divided into four sections:

- A. INFORMATION ON THE INSURERS
- B. INFORMATION ON INSURANCE OBLIGATIONS AND COVERS SUPPLIED
- C. INFORMATION ON COSTS, DISCOUNTS AND TAX REGIME
- D. OTHER INFORMATION ON THE POLICY

A. INFORMATION ON THE INSURERS

LLOYD'S is an Insurers' Association established in 1688 and has its registered office and headquarters in London (EC3M 7HA), One Lime Street.

If an Insurance Policy is entered into, the relevant obligations will be undertaken by some of Lloyd's Underwriters, whose names and subscribed quotas will be disclosed upon request and can be verified by making reference to the insurance policy bearing the Seal of Lloyd's Policy Signing Office. These Underwriters will be bound for their own account, for the account of their Heirs, Executors and Directors, each one up to its respective quota and severally and not jointly among them.

(Conflict of interests)⁴

B. INFORMATION ON INSURANCE OBLIGATIONS AND COVERS SUPPLIED

B.1 Definitions

For ease of reading this Information Memorandum, the Policy Holder is kindly invited to read the definitions contained in the Glossary⁵ attached to this Information File.

B.2 Insured Obligation⁶

⁴ Specific circumstances giving rise to conflicts of interests, if any, are required to be outlined, even if arising out of group or business relationships of the company or of the companies of the group.

⁵ The Glossary is to include definitions which apply to the several documents in the Information File. Terms used therein shall be consistent in all such documents and in the text of the Policy.

⁶ This article, like the other sections of the information memorandum, was drafted in general terms. A general wording complying with ISVAP's requirement cannot be drafted without knowing exactly the features of the policy. In particular, this article is to specify precisely:

- a) Minimum and maximum duration of the policy, or its fixed duration as may be provided;
- b) Insurance obligations provided in the policy, thus distinguishing main obligations from ancillary obligations;
- c) If any coverage suspension or limitation clause is provided, an outline is to be specifically highlighted;
- d) If obligations in foreign currency are provided, the risk assumed by the policy holder in relation to the exchange rate is to be highlighted.

The proposed policy (hereinafter the "Policy") intends to offer a life insurance whereby the Beneficiary will receive the payment of a lump-sum principal amount equal to _____⁷ in the event of death of the Insured.

No amount will be due if the Insured survives the expiration of the Insurance.

B.3 Underwriting limits⁸

The Policy may be executed with respect to those Insureds who are not older than ____ at the time of execution of the insurance.

B.4 Notice to the Policy Holder

It is of utmost importance that the Policy Holder gives true representations when entering into the Insurance. Inaccurate representations may jeopardize the force of the insurance coverage.

It is also of utmost importance that the Policy Holder reads the recommendations and notices contained in the Insurance Offer concerning the filling in of the health questionnaire carefully.

B.5 Premiums

⁹The amount of Premium to be paid depends on a number of factors such as: amount of Insured Obligation, duration of Insurance, age and gender of the Insured; the Policy particularly provides for a different rating according to the Insured being male or female¹⁰.

TABLES DESCRIBING PREMIUMS FOR PURE RISK INSURANCE POLICIES

Term life flat-premium insurance¹¹

Premium due for each 1,000 euro of insured capital, net of taxes

	Men			Women	
	Duration (years)			Duration (years)	
Age	5	10	Age	5	10
50			50		

Amounts so specified do not include any assessment of risk pertaining, for instance, to health and/or profession of the Insured, which may be completed by Insurers only after the Insured has supplied the information required.

⁷ Amount and methods of calculation to be indicated.

⁸ This clause is obviously only to be inserted if underwriting limits are applicable.

⁹ The basis for the calculation of the Premium is to be specified (e.g., with respect to covers supplied and/or their duration and amount and/or age and/or gender of the insured and/or his/her health and/or profession).

¹⁰ This clause is drafted by way of example.

¹¹ Insurers are required to supply a table with some examples of the amount of premium requested for the relevant specific insurance coverage and referring to combinations of age, duration, principal and gender (if rates vary according to the gender). If other categories are discriminated (e.g. smokers), examples will have to include such categories. The table herein is a mere example and, obviously, needs to be developed.

B.4 Terms of payment of the Premium¹²

(Options)¹³

C. INFORMATION ON CHARGES, DISCOUNTS AND TAX REGIME

C.1 Charges burdening the premium¹⁴

C.2 Surrender charge¹⁵

C.3 Tax regime¹⁶

As far as the applicable tax regime is concerned, life insurance premiums are presently tax exempt.

The Premium can be deducted from IRPEF (*Personal Income Tax*) for fiscal purposes up to 19% of its amount and up to a ceiling of €1,291.14. This deduction applies only when the Insured is also the Policy Holder or one of his dependants.

Indemnities paid in case of death are exempt from IRPEF.

D. OTHER INFORMATION ON THE POLICY

D.1 Execution of the insurance policy – Inception of insurance coverage¹⁷

D.2 Paid up value and surrender¹⁸

No paid up value or surrender clauses are provided in relation to this Policy.

D.3 Payment of the Insured Obligation – Documents to be supplied to the Insurers

With a view to obtaining payment of the Insured Obligation, the Beneficiary will have to supply the Insurers with the following documents:

Payment of the Insured Obligation by the Insurers to the Beneficiary will be made within ___ days from the Date of receipt of such documents by the Insurers¹⁹.

¹² Terms of payment of the Premium need to be specified. If the payment is to be directly charged to the bank current account of the Policy Holder, specific provisions concerning the closing of such current account have to be included.

¹³ If the policy provides that the Policy Holder is entitled to exercise options, they have to be specified in details.

¹⁴ A specification concerning whether and which charges are burdening the premium is required.

¹⁵ If the Policy Holder is entitled to surrender the Policy, the relevant charges have to be specified.

¹⁶ The accuracy of this clause is to be verified regularly in consideration of the frequent changes of tax provisions.

¹⁷ The terms of execution of the insurance policy and the date of inception of the relevant coverage have to be specified.

¹⁸ A stipulation as to the applicability of paid up value or surrender clauses is required. If this is not the case, the circumstance need to be highlighted very clearly. The clause herein relates indeed to this last hypothesis.

¹⁹ Both the documents to be supplied to the Insurers by the Beneficiary to obtain settlement of the Insured Obligation (together with the procedures required to supply them to the Insurers) and the term by which the Insurers will complete such settlement will have to be specified.

D.4 Act of revocation and cancellation

The Policy Holder is entitled to change his/her decision to execute the Policy subject to different terms and results according to the contractual period in which this right is exercised.

The Insurance Offer can be revoked until the Insurance policy has not been executed and, if the Premium has already been paid, it will be paid back to the Policy Holder within the following thirty days.

The Policy Holder is entitled to cancel the Insurance policy within 30 days of the date on which he/she received a notice that the Insurance policy has been executed.

The right of cancellation shall be exercised by registered mail, return receipt requested, to be addressed to _____

The Insurers will pay back the Premium to the Policy Holder within thirty days of receipt of the above registered letter, net of the portion relating to the period of insurance elapsed and of the costs of issue of the policy, i.e. € ____.

D.5 Rights time-barred

Pursuant to and for the purposes of Section 2952 of the Italian Civil Code, any right arising from an insurance policy will become time-barred in one year from the day on which the fact upon which the right is based occurred.

D.6 Claims

Any claim concerning the contractual relationship or claim management issues shall be addressed in writing to:

_____ Tel. _____ fax
_____ e-mail _____

If the claimant is not satisfied with the outcome of his/her claim or if no reply is received within forty-five days at the latest, he/she will be entitled to apply to ISVAP²⁰, Consumer Protection Service, Via del Quirinale, 21, 00187 Rome, tel. 06-421331, attaching the documents related to the claim delivered to the petition. As far as disputes concerning amount of damages and assignment of responsibility are concerned, please note that the Judiciary Authorities will have exclusive jurisdiction, without prejudice to the right to appeal to conciliatory procedures, if any.

D.7 Information in course of policy

Throughout the duration of the Insurance, the Insurers shall give notice in writing to the Policy Holder of any change of corporate name, address, telephone number, provisions of governing law applicable to this policy and of any technical change.

D.8 Governing law and language²¹

Italian law is the law governing the Insurance policy. However, the parties may agree on a different governing law, although mandatory provisions of Italian law will nevertheless apply. Insurers propose to apply Italian law.

The Insurance policy is drafted in Italian: however, the parties may agree on a different language. Insurers are free to propose the language of the policy.

²⁰ ISVAP can be applied to if the policy is governed by Italian law. If this is not the case, the relevant application should be addressed to the authority which is competent according to the law governing the policy (i.e. FSA if English law is the governing law of the policy).

²¹ This draft provides that Italian law and language apply.

D.9 Change of profession or occupation of the Insured²²

Pursuant to Section 1926 of the Italian Civil Code, changes in the profession or occupation of the insured are liable to affect the Insurance Policy.

In particular:

Changes of profession or occupation of the Insured shall not cause the effect of the insurance to cease unless they aggravate the risk to such an extent that, if the new situation had existed at the time of executing the policy, the Insurers would not have agreed to the insurance.

When the changes are of such nature that, if the new situation had existed at the time of executing the policy, the insurer would have agreed to the insurance for a higher premium, payment of the insured sum is reduced in proportion to the lower premium agreed upon as compared to the premium that would otherwise have been required.

If the Insured notifies the Insurers of the above mentioned changes, the latter shall declare, within fifteen days, whether they intend to terminate the effects of the policy, reduce the amount of the insurance, or increase the premium.

If the Insurers state that they intend to modify the policy in one of the ways mentioned above, the Policy Holder shall declare within fifteen days whether he/she intends to accept the offer.

If the Policy Holder states that he/she does not accept, the policy is terminated without prejudice to the Insurers' right to the premium for the period of insurance then in progress and the right of the Policy Holder to surrender, if provided. Silence on the part of the Policy Holder shall be construed as acceptance of the offer of the Insurers.

The notices and declarations set out in the preceding paragraphs can be made by registered mail.

²² Section 1926 of the Italian Civil Code provides that changes in the profession or occupation of the insured are liable to affect the insurance. Unless the Insurers intend to waive their right to apply such provisions, the Information Memorandum will have to include the above clause. The issue is particularly sensible whenever the policy provides for exclusions of specific professions from the insurance coverage and/or different tariffs according to the profession or occupation of the Insured.