



Insurance Contract Law: Getting the Balance Right for Small Businesses

The Law Commission and the Scottish Law Commission are currently reviewing the law relating to insurance, with a view to making it clearer, fairer and more relevant to the 21st century.

After a consultation which concluded in 2008, a major question which emerged was whether the smallest businesses need greater legal protection.

Today the Commissions publish *Reforming Insurance Contract Law: Micro-businesses*, which asks specific questions about protection against unfair terms in insurance contracts for micro-businesses. It also puts forwards proposals to treat micro-businesses as consumers for the purposes of pre-contractual information. Micro-businesses are usually defined as those with fewer than 10 employees.

David Hertzell and Colin Tyre QC, the Commissioners leading the project for the Law Commissions, said

Small businesses, and in particular micro-businesses, are a hugely important part of the economy, but are unlikely to have any specialised knowledge of insurance.

The evidence suggests that many micro-businesses are in a similar position to consumers when it comes to buying insurance. They do not have any employees with knowledge in this field and they are increasingly buying their insurance online, without the benefit of a broker who can offer specialist advice. Insurers themselves often treat micro-businesses like consumers when they sell them an insurance policy.

We believe it is vital to ensure that this sector of industry, which provides employment for nearly a third of the UK's private sector working population, is protected by the law. We are eager to hear the views of all interested parties, in particular micro-businesses, on our proposals.

The Law Commissions are seeking responses to the Paper by **17 July 2009**.

Notes for Editors

1. The Law Commissions are the Law Commission (which covers England and Wales) and the Scottish Law Commission. The Law Commissions are non-political independent bodies, set up by Parliament to keep all the law of England, Scotland and Wales under review, and to recommend reform where it is needed.
2. The Law Commissions issued a consultation paper entitled *Insurance Contract Law: misrepresentation, non-disclosure and breach of warranty by the insured* on 16 July 2007. For further details on this project visit http://www.lawcom.gov.uk/insurance_contract.htm or <http://www.scotlawcom.gov.uk/>.
3. To respond to the Commissions on these issues please email commercialandcommonlaw@lawcommission.gsi.gov.uk.
4. For all press queries please contact:

Dan Leighton

020 3334 0231

Terry Cronin

020 3334 0255

Email:

communications@lawcommission.gsi.gov.uk