



HM TREASURY

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Financial Stability and Risk

www.hm-treasury.gov.uk

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Dear Sir/Madam

Consultation on amendments to Part VII of the Financial Services and Markets Act 2000

Equitas have agreed to forward this letter from the Treasury to you as a former Name. HM Treasury is committed to consulting widely on Lloyd's issues and to this end we think this is an effective way to bring the following proposals to your attention.

The Treasury published a consultation document on 3 November 2006 regarding amendments relating to Part 7 of the Financial Services and Markets Act (FSMA) 2000 ('Control of business transfers') which deals, amongst other things, with insurance business transfer schemes.

An insurance business transfer is a process by which an insurer is able to transfer either a part or the entirety of its insurance business to another insurer. There are a number of different circumstances under which an insurer might embark upon such a scheme; for example, as part of a business restructuring. Given the complexities involved in the transfer of insurance business and the possible impacts on the rights and protections of policyholders, Part 7 of the Financial Services and Markets Act 2000 ("FSMA") (and related secondary legislation) sets out the process and conditions which must be complied with in order for a Court to sanction, and therefore give effect to, the scheme.

Section 323 of FSMA enables these provisions to apply to members of the Lloyd's market (by virtue of the Financial Services and Markets Act 2000 (Control of Transfers of Business Done at Lloyd's) Order 2001).



Chapter 3 of the consultation document addresses the issues that may be of particular interest to you. This explores HM Treasury proposals to remove the restriction on the ability of certain former underwriting members of the Lloyd's market to transfer their insurance business. This will affect all former underwriting members whose resignation took effect on or before 23 December 1996.

The consultation document also includes further proposals of interest to all those interested in insurance transfers. For reasons explored in the consultation document and the accompanying Partial Regulatory Impact Assessment, HM Treasury proposes to make two clarificatory amendments to Part 7 of FSMA, in order to:

- put beyond all doubt that accompanying reinsurance and other contracts, related to the main business being transferred, may be transferred as part of an insurance business transfer scheme; and
- put beyond all doubt that this provision extends to the power of the Court to override certain contractual provisions that purport to modify or annul a contract upon it being transferred, or upon a step being taken towards a transfer (e.g. upon application to the Court for approval of the transfer scheme).

HM Treasury also proposes to require that applicants for an insurance business transfer scheme, which will include the transfer of reinsurance contracts, notify the reinsurers in question.

If you would be interested in knowing more about these proposals and submitting your views to HM Treasury as part of the consultation process, you can find electronic copies of the document on HM Treasury's website (www.hm-treasury.gov.uk). Alternatively, a hard copy can be requested free of charge from HM Treasury's Correspondence and Enquiry Unit, 1 Horse Guards Road, London SW1A 2HQ (Tel.: 020 7270 4558).

The consultation will run until 26 January 2007.

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