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INSURANCE LAW

IMPORTANT CHANGES AHEAD IN TERMS OF POLICY RENEWAL AND TERMINATION

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On 5 October 2023, the Belgian Federal Parliament passed a draft law adapting the rules on (almost all) non-life insurance policies' renewal and termination (the "*Law*").

This Law will come into force on the first day of the 12th month following its publication in the Official Gazette – which should take place any time soon. The new rules will apply to all insurance policies falling within its scope of application, whether concluded or tacitly renewed on or after the date of entry into force.

WHERE ARE WE NOW? THE CURRENT RENEWAL AND TERMINATION REGIME

Under the current insurance law regime, almost all (non-life) insurance policies are concluded for a term of one year, which is tacitly renewed on a yearly basis unless the insurer or the policyholder oppose to the renewal at least 3 months prior the expiry of the current insurance period[1].

To oppose to the renewal, policyholders must have their termination notice delivered by registered mail, by a bailiff, or by hand delivery against an acknowledgement of receipt[2].

This formalism has been criticised by the Insurance Ombudsman and certain scholars for years.

WHAT'S AHEAD? THE UPCOMING UPDATED REGIME

Without digging in all the details in this short news, here are the things you should know about the upcoming new regime.

Scope of application

The new rules will apply to non-life insurance policies concluded for a renewable term of one year. In practice, this concerns almost all non-life insurance policies with only a few exceptions (e.g. travel insurances).

Shortened termination notices for policyholders who are not consumers

Policyholders will be entitled to oppose the tacit yearly renewal of their policies up to 2 months (instead of 3) before the expiry of the ongoing insurance period.

The Insurance Commission will be mandated to assess this shortened opposition period and examine the possibility of reducing it even further (up to 1 month) in the years to come.

The opposition notice period remains unchanged for insurers: they will still need to oppose the renewal at least 3 months prior to the expiry of the ongoing insurance period.

1. Article 85 of the law of 4 April 2014 on insurances.
2. Article 84 of the law of 4 April 2014 on insurances.

Eased termination for consumers after the first annual term

When the policyholder is a consumer (i.e. natural persons taking out their insurance policies outside of their business activities), he/she will be authorised to terminate his/her insurance policy at any given time after the expiry of the first annual term.

The consumer's termination will take effect after a 2 months' notice period.

This termination will be made at no cost and the insurer will need to reimburse the consumer of any portion of premium collected and pertaining to an insurance period that is no longer covered due to the termination.

For example, if a fire insurer collects a EUR 120 premium for the calendar year 2025 and that the consumer terminates the coverage with effect on 31st July 2025, the insurer will need to reimburse half of the premium for half of the year that is no longer covered (in our example, EUR 60).

Insurers will be required to remind the consumers of their right in each premium notice.

Electronic termination

Interestingly, the Law will also change the wording of a few provisions of the law of 4 April 2014 on insurances to allow for the electronic sending of registered mail for termination or opposition to tacit renewal.

Insurers and insurance intermediaries will also be able to put in place digital platforms allowing policyholders to notify their termination and renewal opposition digitally (via qualified e-signing processes).

WHAT SHOULD I DO? HOW INSURERS SHOULD PREPARE

There are a few things insurers and intermediaries will need to think about and implement in the months preceding the entry into force of this new regime.

- **Identify the policies affected.** Make sure you properly identify the products affected and the policies that will be most immediately affected by these changes.
- **Review and adapt the terms and conditions.** Policyholders' and consumers' legal rights need to be carefully reflected in your contractual documentation.
- **Adapt your processes.** Typically, mentions to be included on your premium notices will need to be adapted.
- **Educate your staff and your network.** Make sure all your staff and your distribution network (brokers, agents...) are aware and know what to do before the new rules become enforceable.
- **Think about your pricing.** Presumably, if consumers become able to terminate what used to be yearly policies at any given time, this may affect your pricing model. It's time to think about it.

Any questions? Contact our Insurance Experts

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