



8. International Conference of InterEurope AG

**Insurance Law Reform in Germany – Impacts on
practice for the motor car insurance industry**

Gerald Epple



Insurance Act



● **Targets of the German legislature**

- Modernisation of the current law which is 100 years old
- Creating a consumer-friendly settlement and regulation



Insurance Act

- **Content of the presentation - Impacts on practice for the insurer**
- Insurance products
- Claims settlement
- Attitude of the insurer towards the regulation



Influence on Product Design

● Gross negligence

- existing rule: Slight culpability – comprehensive duty to perform
- existing rule: gross negligence - no duty to perform
- New rule: gross negligence duty to perform depending on level of fault – Insecurity for legal practice
- New products: Unverified waiver of gross negligence



Legal norms for the transition period

- **Immediate adoption of the innovative law as a marketing strategy**
- New contracts: New law starting from 1.1.2008
- Existing contracts: New law starting from 1.1.2009 with transition period
- Existing contracts: New law starting already from 1.1.2008 without transition period - Consumer friendliness



Cancellation in case of a claim

- **Proportional reimbursement of the premium in case of dismissal as a medium of advertising**
- Existing law: no refund in after cancellation - double-payment
- New law: proportional refund – no double payment
- Customer's cancellation will be financially rewarding – Reason for changing the insurance company



Excess






● Excess with direct claim

- Settlement of the claim of the third party by the insurance company without the excess
- Insurance company charges his customer with the excess



Excess

Excess and no-claims bonus

-  Bonus-Malus-Arrangement – Schadenfreiheitsrabatt
-  Renewal of the no-claims bonus after settlement
-  Self-settlement by policy-holder
-  Excess and no-claims bonus – equivalent financial and economic concern of the customer
-  Regaining of discount and excess




Information duties

- **Information duties and product information document**
- Comprehensive information of the policy holder
- Product information sheet/ document
- Claim for compensation by customer



Place of jurisdiction

- **Modification of place of jurisdiction**
- Existing law: Registered office of the insurance company
- New law: Place of residence of policy holder
- with boundless venue jurisdiction
- Consistency of jurisdiction



Conclusion of a contract and business process

- **Innovative business processes depending on efficiency of IT**
- Additional logistical effort because of providing the customer with information before taking out an insurance contract
- Alternative law prototypes to mitigate the logistical troubles



Attitude toward the innovative insurance act

- **Law has always created and provided a consistent level of conditions**
- Law has adopted and integrated previous jurisdiction
- Previous jurisdiction has guaranteed a consistent level of conditions
- Considerable differentiation due to pricing
- Future will show whether there is an effect on competition



Attitude toward the innovative insurance act

● Rules for non fulfilling of obligations and increase of risk

- Legal situation of insurers is becoming worse
- Insurance fraud is more likely to occur
- There will be a reduced possibility for insurers to evade these rules in order to maintain the status quo
- Insurance companies desire to be involved actively in designing the new regulations