

Contract Certainty



Brokers and insurers¹ are invited to use these guidelines to help establish contract certainty for Non-London Market contracts.

This work has been completed with guidance from both the Non-Subscription Steering Group and the London Market Reform Group.

¹ Insured and insurer include reinsured and reinsurer where applicable.

Definitions

Contract certainty is achieved by the complete and final agreement of all terms (including signed lines) between the insured and insurers before inception.

In addition:

- i) The full wording must be agreed before any insurer formally commits to the contract.
- ii) An appropriate evidence of cover is to be issued within 30 days of inception or renewal date for Commercial business or within 5 working days of inception or renewal date for Retail business

Where a broker knows the **full wording** that they wish the risk to be placed on then this wording must be complete and will be a combination of:

- i) wordings and/or clauses;
- ii) either referenced and/or full text;
- iii) bespoke and/or model material.

Brokers may choose which combination is submitted to insurers; insurers may choose whether to accept this or require a different approach.

If a broker fails to provide the wording, or an insurer is not willing to quote on that wording, then the insurer will provide their choice of **full wording** with their firm quotation. A broker or client may then choose whether to accept that quotation or not.

Appropriate evidence of cover issued to the insured can be a combination of:

- i) full policy wording and schedule of cover for new business;
- ii) revised schedule of cover with either referenced and/or full text of endorsements for MTAs and Renewals.



Contract Certainty Checklist

Pre-Inception Requirements

Full wording and all clauses are clearly specified and agreed before any insurer formally commits to the contract.

Contract certainty attributes (listed overleaf) are satisfied, together with any internal quality requirements.

Subjectivities (such as “subject to survey”) are stated clearly as conditions of the contract, with responsibilities and timescales for resolution, and with the consequences of failure clearly specified.

All terms are agreed between the insured and insurers before inception.



Post-Placement Requirements

An appropriate evidence of cover is to be issued within 30 days of inception or renewal date for Commercial business or within 5 working days of inception or renewal date for Retail business.

This note is provided for information purposes only. The Association of British Insurers, British Insurance Brokers Association and the Institute of Insurance Brokers accept no responsibility whatsoever for liability as a result of any reliance placed on it. Furthermore, non-compliance with any matter contained in the note shall not invalidate or call into question any contract or agreement nor shall failure to comply with the standards or guidelines create any right of action or claims in any third party. This note does not affect the legal relationships between the parties to insurance and reinsurance contracts.

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Non London Market Contract Certainty Attributes

In order to help achieve this the Association of British Insurers (ABI), the British Insurance Brokers' Association (BIBA) and the Institute of Insurance Brokers (IIB) have published a Code of Practice that became effective from 1st October 2005. The purpose of the Code is to make clear to policyholders, intermediaries, and insurers the totality of coverage when General Insurance policies are inception and renewed. Conforming to the Code is not mandatory. However, adoption of the principles will assist members to demonstrate compliance to ICOB and manage operational risk.

The 6 primary attributes of contract certainty are listed below, together with related questions that may help in assessing individual contracts. Brokers and insurers will need to satisfy themselves that any negative responses do not compromise contract certainty. Brokers and insurers are encouraged to record the reason(s) for a negative assessment.

Contract Certainty Attribute	Guide as to whether attribute met
Is the quotation clear and unambiguous?	<p>Are the wording and all clauses attached /referenced in the quotation?</p> <p>Are any conditions applied by an insurer relevant to the risk and expressed in full?</p> <p>Are any conditions applied by an insurer relevant to the administration and expressed in full?</p> <p>Can it be confirmed that there are no "TBA"s or other terms that are ambiguous?</p> <p>Where a wording is dependent on another wording (for example, "as expiring" or "as original"), is the latter either attached or clearly identified?</p>
Is law and jurisdiction and arbitration clearly referenced and complete?	<p>Are the choice of law, arbitration (where applicable), and jurisdiction (where applicable) present and completed correctly?</p>
Are all terms clear and unambiguous?	<p>Is the full name of the Insured or Reinsured clearly stated?</p> <p>Is the full address of the Insured or Reinsured clearly stated?</p> <p>Is the full business description of the Insured or Reinsured clearly stated?</p> <p>Is the period of cover correctly completed?</p> <p>Are the sum insured or limits present?</p> <p>Are other deductions from premium clearly expressed?</p> <p>Are all currencies referenced via use of three letter ISO currency codes e.g. GBP, EUR, USD? If not then currencies will be assumed as being £ (i.e GBP)</p> <p>Are taxes payable by the Insured and administered by the Insurer clearly stated e.g. Insurance Premium Tax?</p>
Are all duties clearly allocated, including processing of claims and contract changes, and document production?	<p>Are all broker/insurer arrangements and agreements clearly stated in the submission?</p> <p>Is the basis of agreement to contract changes clearly identified?</p> <p>Does the submission state who will produce and who will agree the evidence of cover and/or policy?</p>
Is any supporting information clearly referenced?	<p>Does the submission include details of any information provided to insurers to support the assessment of the risk at the time of placement e.g. validated claims history and risk disclosures?</p>
Is the quotation compliant with regulatory requirements?	<p>Have all regulatory issues that affect the contract, or certainty of the contract, been addressed (e.g. avoiding use of clauses which breach local regulations)?</p>



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