

Contract certainty: New and old code high level comparison

This document is intended only to provide a high level comparison of the old and new codes. It is recommended that you refer to the Code of Practice, Principles and Guidance, June 2007 which can be viewed at your association's website.

Definition of contract certainty

New	Old
Contract Certainty is achieved by the complete and final agreement of all terms between the insured and insurer by the time that they enter into the contract, with contract documentation provided promptly thereafter.	Contract Certainty is achieved by the complete and final agreement of all terms (including signed lines) between the insured and insurers before inception. NB This was subsequently varied by implication due to the late placement & late order guidance

General format

New	Old
Definition plus supporting principles and guidance on their application, principles should be met, guidance may be followed	Mixture of definition, requirements, principles, guidance and checklist
Consolidated 10 pages including appendices	Multiple publications spanning 40+ pages
UK industry wide	Subscription and non subscription market differences. Often London centric
Timeless wherever possible	Timebound with outdated targets.
Scope defined as "Applying to general insurance contracts (with the exception of some pure protection contracts), handled by a FSA regulated insurer or intermediary	No specified scope

Specific changes in approach

New	Old
"Contract" used consistently	The expressions "slip"; "presentation" & "submission" used
"Entering into the Contract" is the point at which Contract Certainty should be achieved	The expressions "inception"; "line bound" & "firm order date" used
"Contract documentation" included within the definition	"Evidence of Cover" not specifically included within the definition

Principles

New principles	Old principles
<p>Principle A</p> <p>The insurer and broker (where applicable) must ensure that all terms are clear and unambiguous by the time the offer is made to enter into the contract or the offer is accepted. All terms must be clearly expressed, including any conditions or subjectivities.</p>	<p>Principle 1</p> <p>Brokers will provide submissions that satisfy the contract certainty definition and checklist to obtain firm quotes and place firm orders</p> <p>Principle 2</p> <p>Each insurer will be satisfied that the submission meets the contract certainty definition and checklist before formally committing to the contract, ensuring that any conditions or subjectivities are clearly expressed.</p>
<p>Principle B</p> <p>Contract documentation must be provided promptly.</p>	<p>Principle 8</p> <p>Brokers and insurers will ensure that appropriate evidence of cover, including security, is issued within (5)(30) days</p>
<p>Principle C</p> <p>Insurers and brokers must be able to demonstrate their achievement of principles A and B.</p>	<p>Principle 7</p> <p>Broker and insurers will each collect and maintain data on their contract certainty performance at an individual contract level</p>
<p>Principle D</p> <p>Contract changes need to be certain and documented promptly</p>	<p>Principle 6</p> <p>Brokers and insurers will ensure that post-inception amendments are documented and agreed as endorsements</p>
<p>Principle E1</p> <p>The contract must include an agreed basis on which each insurer's final participation will be determined</p>	
<p>Principle E2</p> <p>The practice of post inception over-placing compromises contract certainty and must be avoided</p>	<p>Principle 5</p> <p>Brokers and insurers will not take part in post-inception overplacing.</p>
<p>Principle F</p> <p>The final participation must be provided to each insurer promptly.</p>	<p>Principle 4</p> <p>Brokers will calculate signed lines by inception and notify them to each insurer no later than 30 days after inception, or by inception on request</p>
<p>Principle G</p> <p>The insurer and broker (where applicable) have a responsibility to resolve exceptions to any of the above principles as soon as practicable</p>	
	<p>Principle 3</p> <p>Brokers will notify all terms to their client and obtain their client's agreement before inception</p>