

# **Singapore Reinsurance Market Contract Certainty Project**

Portal Workshop

# Agenda

- Contract Certainty Definition
- Contract Certainty Principles
- Contract Certainty Checklist
- Matters Arising
- Contract Certainty Portal
- Questions and Answer

A brief recap...

Contract Certainty applies to:

All **REINSURANCE** contracts  
incepting on or after 1<sup>st</sup> May 2013.

# **Contract Certainty**

## Definition

# Contract Certainty – definition

- Contract Certainty is achieved by the complete and final agreement of all terms and signed lines between the reinsured and the reinsurer by the time they enter the contract.
- Contract documentation shall be provided to all parties within 30 days of the reinsurer's risk inception or the reinsured's order to bind whichever is later.

# **Contract Certainty**

## Principles

## A) When entering into the contract

- The reinsurer 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.
- All evidence of offer and acceptance including file notes of conversations and meetings, written and electronic communications, must be maintained by the reinsurer and broker (where applicable).



## B) After entering into the contract

- The reinsurer and broker (where applicable) should strive to ensure that where appropriate the contract documentation is signed by all parties and sent out to the reinsured within 30 days of the reinsured's risk inception or the reinsured's order to bind whichever is later.

## C) Demonstration of performance

- Reinsurers and brokers must be able to demonstrate their achievement of principles A and B.

## D) In respect of contract changes

- Contract changes need to be certain and documented promptly.

When there is more than one  
participating reinsurer

## E) When entering into the contract

- The contract must include an agreed basis on which each reinsurer's final participation will be determined.
- The practice of post-inception over-placing compromises Contract Certainty and must be avoided.

## F) After entering into the contract

- The final participation must be provided to each reinsurer promptly.

## G) Where the contract has not met the principles

- The reinsurer and broker (where applicable) have a responsibility to resolve exceptions to any of the above principles as soon as practicable and without undue delay.

# Contract Certainty Checklist

## 5 Contract Certainty Attributes:

- Risk Details
- Information Security
- Details Contract
- Administration
- Other Terms and Conditions



# Risk Details

Have the wordings and all clauses been attached / referenced in the submission?	Y / N / NA
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Premium

Payment

Terms: Premium Payment Clause LSW 3000  
(dated 30/09/08)

Always ensure that the full wording (e.g. LSW 3000) is attached. Each clause requires the full wording unless it is referenced by an established market reference.

# Risk Details

Where a wording is dependant on another wording (for example, “as expiring or “as original”), is the latter either attached or identified?	Y / N / NA
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Are there wordings of the “expiring” or “original” for reference?

Always ensure that the “expiring” or “original” is attached or identified. E.g. RSA Fire Policy Wording (02/12)

# Risk Details

Can it be confirmed that there are no TBAs (to be advised/agreed) or other terms that are ambiguous? Any abbreviations are fully expanded?	Y / N / NA
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Abbreviations may be interpreted differently by different individuals

Is TBC To-Be-Confirmed or To-Be-Continued?

PML/MPL – Probable or Possible or Perceived Maximum Loss?

To avoid any misinterpretation, always expand all abbreviations.

# Risk Details

REINSURED – Is the reinsured clearly stated? (For facultative reinsurance, both the reinsured and the original insured should be shown.)	Y / N / NA
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To avoid confusion between the REINSURED's in various countries, always include the address or at least the domicile of the reinsured.

Always state the REINSURED's domicile.

# Risk Details

LEGAL ENTITY – Is the full name of the reinsurer (Legal entity/Lloyd's syndicate) clearly specified?	Y / N / NA
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**AIG**

*Is it AIG, Chartis or National Union etc?*

Always specify the full name of the various entities including branches if applicable.

# Risk Details

PERIOD – Is the period or voyage specified, including time zones, where appropriate?	Y / N / NA
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PERIOD: 1 June 2013 – 31 May 2014 both days  
inclusive, local standard time where loss occurs

- Ensure a.m. or p.m. is included. If 12.00, include noon or midnight.
- Which time zone?

Always be specific and include the time zone.

# Risk Details

CURRENCY – ensure that the currency is clearly specified throughout the contract. This includes the Sum Insured. Excess, Deductibles and Sub Limits.	Y / N / NA
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**\$1,000,000**

Is it USD 1,000,000 or SGD 1,000,000 or HKD 1,000,000?

**Always use ISO currency codes.**

# Risk Details

EXCHANGE RATE – Is the basis of exchange rate clearly stated in the contract?	Y / N / NA
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“Reinsurers agree to accept premiums and claims to be processed in either US Dollars or Local Currency converted for payment in USD Dollars at rate of exchange at the time of settlement given by the National Local bank receiving the funds.”

Always state the terms of the exchange rate clearly.



# Risk Details

SUBJECTIVITIES – Are any subjectivities clearly expressed?	Y / N / NA
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Do they set out all of:

1. The condition/action that needs to occur, by whom and to what standard
2. The applicable timescale, if any, within which the condition is to be met
3. The terms which are to apply until the condition is met
4. Any consequences which follow if the condition is not met

“What is to be done by whom, by when and the consequences of non-compliance.”

Fully clause all subjectivities.

# Risk Details

CHOICE OF REINSURANCE LAW & JURISDICTION – Have the law, jurisdiction and any arbitration conditions been referenced?	Y / N / NA
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Which jurisdiction will be used in an event of a dispute?

e.g.: This reinsurance shall be governed by the laws of Indonesia and subject to the exclusive jurisdiction of the courts of Indonesia.

Always state the reinsurance law and jurisdiction. It does not follow the original.

# Risk Details

PREMIUM PAYMENT TERMS – Are any payment terms identified?	Y / N / NA
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Are there any premium payment terms for reference?

Always state clearly the premium payment terms if applicable.

# Risk Details

TAXES PAYABLE – Are taxes payable by the reinsured and administered by the reinsurer clearly stated?	Y / N / NA
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Are there any taxes payable by the reinsured and administered by the reinsurer?

Only applicable if taxes administered by the reinsurer.

# Information

Is the information provided by the reinsured referenced in the placing documents?	Y / N / NA
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Ensure placing information is fully referenced if not attached in full to the slip.

i.e. email dated 6 June 2013

Always attach or reference all the information provided by the broker/reinsured.

# Security Details

SIGNING PROVISIONS – If there is more than one participating reinsurer, check that a signing provisions clause is included.	Y / N / NA
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Signing provisions clause outlines the basis on which lines are to be signed down.

Always attach a signing provisions clause when there is more than one participating reinsurer.

# Security Details

REINSURER'S WRITTEN LINE – Wherever possible, line conditions should be shown under the most appropriate contract section and heading.	Y / N / NA
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i.e. Where the Claims Co-operation Clause is written as a condition precedent, it should be added as such and not shown as a reinsurance condition.

Line conditions should be placed under the correct heading of the slip and not at the end of the slip

# Contract Administration

Is there proper evidence of the offer and acceptance of the terms of the reinsurance contract? Such evidence may include electronic or written communication, <b>signature by hand</b> , etc.	Y / N / NA
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Offer and acceptance should be in evidence on the file including written acceptance by the client.

Proper evidence of offer and acceptance.



# Contract Administration

REINSURANCE CONTRACT DOCUMENTATION – Is the entity that is responsible for producing the reinsurance contract documentation identified? Has consideration been given to contract change documentation?	Y / N / NA
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If a broker is involved, the slip may identify the broker as being responsible for the documentation otherwise it is the reinsurer.

Identify who is providing the documentation.

# Other Terms and Conditions

EXPERT FEES COLLECTION – Are arrangements for collection of expert fees stated?	Y / N / NA
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What are the arrangements for collection of expert fees?

State arrangements for expert fees collection.

E.g. Surveyors fees

# Other Terms and Conditions

LOSS ADJUSTERS EXPENSES – Is the calculation of Loss Adjusters Expenses clearly stated?	Y / N / NA
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Which parties are responsible for Loss Adjusters Expenses?

How are they allocated between the parties?

State the method of allocation for Loss Adjusters Expenses clearly.

## Facultative Reinsurance Offer

<b>Reinsurance Offer:</b>	40% of 100%	
<b>Type:</b>	Facultative Property Proportional	
<b>Cedant:</b>	XYZ Insurance Hong Kong	<b>Reinsured's domicile</b>
<b>Original Insured:</b>	ABC Co. Ltd 25 Queens Road, Central, Hong Kong	<b>Time zone</b>
<b>Period:</b>	1st January 2013 to 31 <sup>st</sup> December 2013 both days inclusive at local standard time where loss occurs	
<b>Sum Insured:</b> <b>100%</b>	Buildings – HKD 700,000,000 Contents – HKD 30,000,000	<b>ISO currency codes</b>
<b>Deductible:</b>	HKD 100,000 each and every loss	<b>Underlying wording identified</b>
<b>Original Conditions:</b>	Original policy based on RSA standard fire policy (06/12) (and as attached if applicable)	
<b>Reinsurance Conditions:</b>	Reinsurance is subject to the same terms and conditions as the Original Policy except as otherwise provided herein. Allianz Re standard terms and conditions.	<b>Checklist items that may be included</b>
<b>Choice of Law and Jurisdiction:</b>	This reinsurance shall be governed by the laws of Singapore and subject to the exclusive jurisdiction of the courts of Singapore.	<b>Reinsurance law and jurisdiction</b>
<b>Rate:</b>	0.10%	<b>Payment Terms</b>
<b>Payment Terms:</b>	1 installment due 31 January 2013	
<b>Taxes Payable By the Reinsured And administered By Reinsurer:</b>	None	<b>Reinsurer documentation</b>
<b>Reinsurer Contract Documentation:</b>	Provided by reinsurer.	<b>Information referenced</b>
<b>Commission:</b>	15%	
<b>Taxes:</b>	1%	
<b>Information/Loss record:</b>	Nil in last 5 years. Underwriting information as per email dated 25 December 2012.	

# Contract Certainty Counting

For contract certainty counting purposes, a contract is deemed to be:

Any contractual document such as a slip or policy between two or more counterparties.

i.e. One slip with ten reinsurers on it is one contract. However the same placement with ten reinsurers on ten different slips will be ten contracts.

Similarly, one slip with four layers on it will be one contract but four slips each representing one of the layers above will be four contracts.

# Non Binding Indications

- If a reinsurer receives a risk which it decides is not contract certain, it can provide a non binding indication which must be shown as such.
- This will not be an offer until it is contract certain when it will be upgraded to a quote.

# Reinsured's Signing Page

- This page is commonly used in reinsurance treaties and could be used by facultative arrangements when a signature by the reinsured is required.

# Life Reinsurance Contracts

Treaty – continuous contracts incepting before 1 May 2013 are not required to be counted for contract certainty

Facultative – These risk are more often than not special acceptances into a treaty and, if such, do not need to be counted.