

ABIR Press Release—Contract Certainty

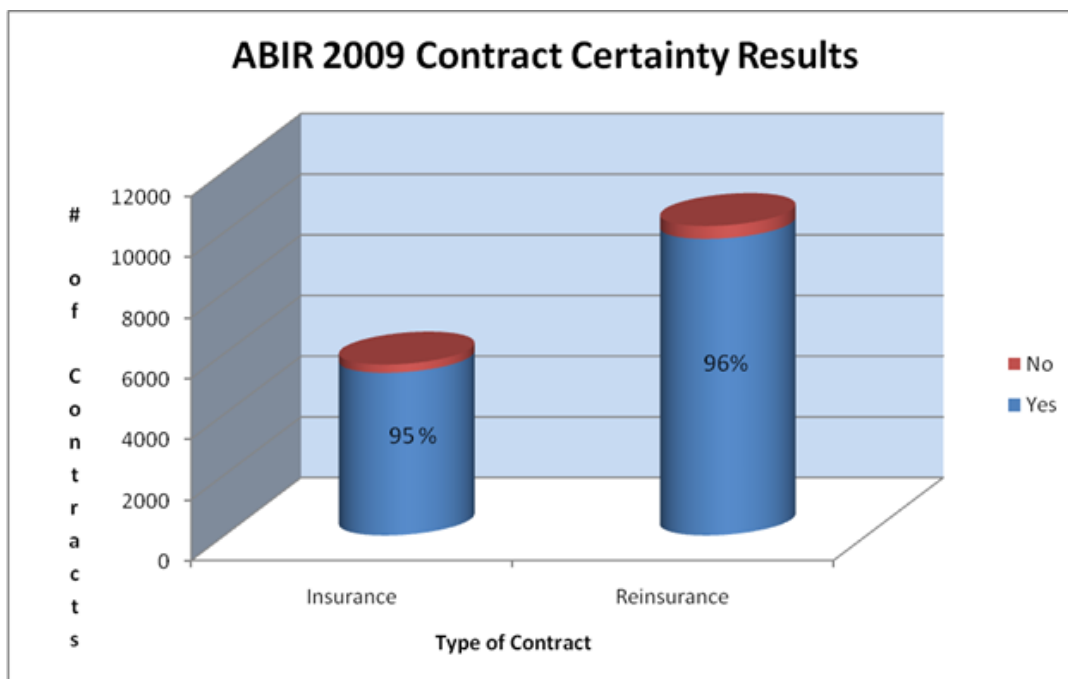
ABIR Members Report Excellent Contract Certainty Results, 2009 Contract Year

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The 22 members of the Association of Bermuda Insurers and Reinsurers (ABIR) have reported a 95% compliance rate for insurance contracts, 96% for reinsurance contracts, with contract certainty guidelines first adopted in 2008.

As defined in the ABIR and Bermuda Insurance and Reinsurance Brokers Association (BIRBA) contract certainty principles: “**Contract Certainty** is achieved by the full and final agreement of all terms and conditions between the (re)insurer and (re)insured at the time of binding. This will be evidenced by a binder, cover note or similar which reflects all terms and conditions and which is agreed by the (re)insurer. The final committed capacity must be clearly identified.” Furthermore, the parties must commit to providing final contract documentation within 30 days of inception of the contract.

Following a trial run of reporting on compliance with the ABIR Contract Certainty Code of Practice for the 2008 contract year, ABIR members agreed to survey contract certainty compliance for the contracts completed anytime during CY 2009. The 2009 ABIR Contract Certainty results represent the first full year’s reporting for the 2009 year and in that regard, 19 members (up from 16 last year) submitted data covering a total of over 15,000 contracts (5,633 Insurance and 10,201⁽ⁱ⁾ Reinsurance Contracts). The results demonstrate increased levels of compliance with the ABIR Contract Certainty Code of Practice for both types of contracts being 95% for Insurance (previously 91% in 2008) and 96% for Reinsurance (previously 93% in 2008).



“Documentation of contract obligations is vitally important to the policyholder/cedent and to the (re)insurer. Such documentation is important to preventing disputes and assuring prompt resolution of claims,” noted Leila Madeiros, Senior Vice President and Corporate Secretary of ABIR. “The fact that the major global insurers and reinsurers in the ABIR membership have committed to this voluntary standards program demonstrates the commitment of Bermuda risk takers to the highest standards of professionalism,” Madeiros noted.

ABIR was asked to present the findings at the National Association of Insurance Commissioner’s Reinsurance Task Force meeting on August 16 in Seattle, Washington.

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^{ifj} The number of reinsurance contracts reflects multiple counting of the same contract by all the reinsurers which are parties to the syndication. Each reinsurer must determine that it has met the contract certainty standard including documentation of the share of liability to which it is committed. We don’t know what the actual number is of reinsurance contracts completed during the calendar year. By contrast, the insurance contract number is believed to represent the actual number of completed insurance agreements.