



# **Contract Certainty Market Reform Group Progress Report**

## **Presentation for FSA**

**5 July 2005**

# Definition of Contract Certainty was agreed in April

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

# MRG have agreed targets for the use of Contract Certainty process

- 30% of monthly volume by end 2005
- 60% of monthly volume by end June 2006
- 85% of monthly volume by end 2006

**In addition, MRG has agreed with respect to contract delivery:-**

- Appropriate evidence of cover to be issued within 30 days of inception

# A number of the practical implications of these targets have also been resolved, with work underway on the outstanding points

## Agreed approaches

- Base wordings (model or “as expiring”) to be used wherever possible as a basis for negotiation of bespoke clauses
- Wordings can evolve after leader scratch, subject to leader agreement
- Changes to contract after inception normally to be processed as endorsements
- The Market will enforce agreed quality standards for processing
- Checks and associated measurement to be carried out before inception wherever possible

## Outstanding points

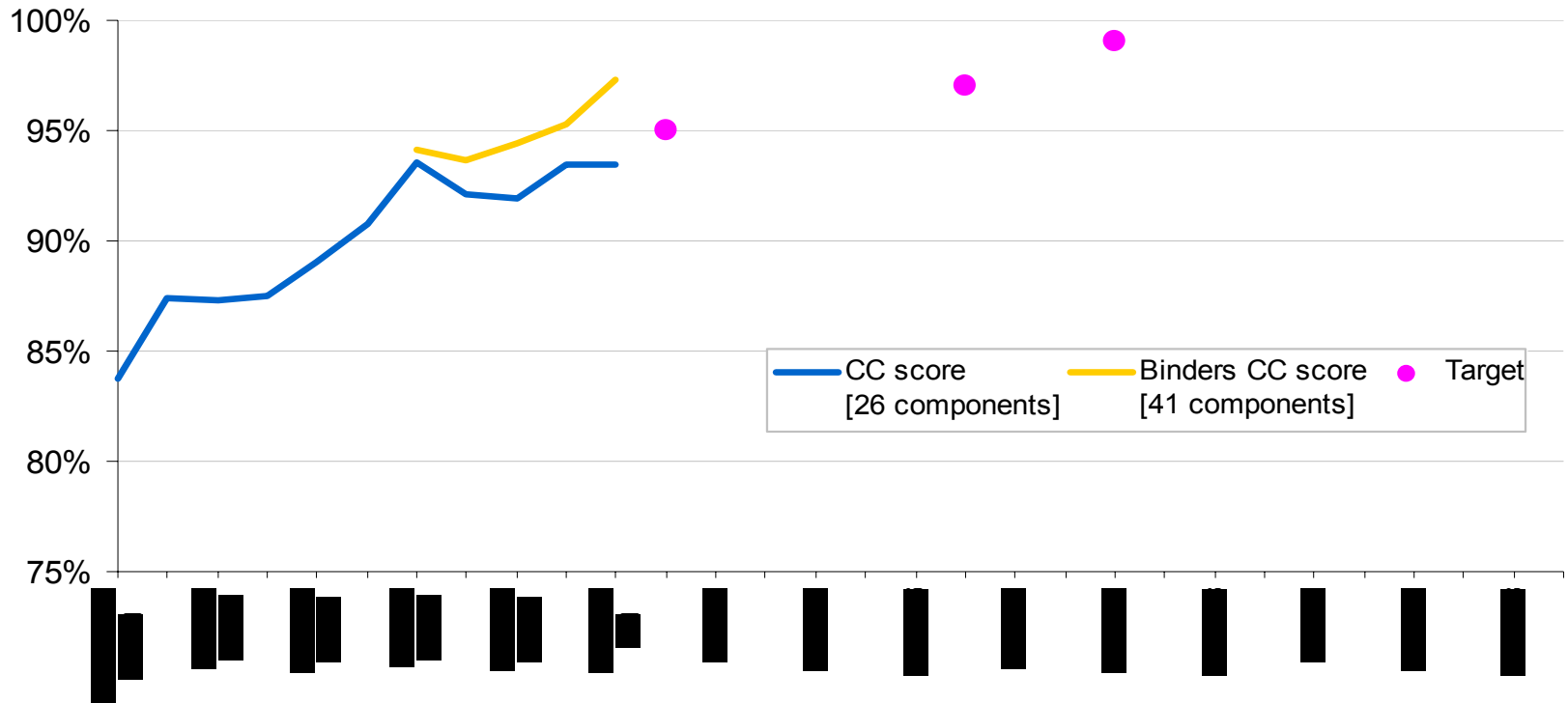
- Method of communicating signed lines to underwriters prior to inception
- Approach to checking within contract certainty process
- Method of presenting wording to underwriters

**There has also been significant progress in embedding the Contract Certainty challenge in individual firms. 81% have now registered the Contract Certainty project details with the Programme Office**

	<b>LMBC</b>	<b>LMA</b>	<b>IUA</b>	<b>Non-IUA</b>	<b>Non-LMBC</b>	<b>Overseas Non-LMBC</b>	<b>Grand Total</b>
Total number of firms	144	44	41	10	7	11	257
Already Responded	103	44	22	3	7	4	183
Response Received this week	25	0	0	0	0	0	25
Response Received so far	128	44	22	3	7	4	208
Response NOT yet received	16	0	19	7	0	7	49

There is also good progress towards monitoring the achievement of the Contract Certainty targets. The Contract Certainty score for the LMP Slip Audit is showing steady improvement

Contract Certainty [LMP Slip audit]



# Key activities and milestones

Achieve LMP Slip Audit interim target	- July 05
Clarify practical implications of definition	- September 05
Reinforce engagement through “top 39 lessons learnt”	- October 05
Develop structured approach to implementing Contract Certainty process	- October 05
Achieve volume target for use of Contract Certainty process	- December 05