

Insurance Act

Schemes FAQ's

1 Who do I need to speak to within the Insured's organisation when effecting or amending policy cover?

The Insurance Act sets out the principles dealing with the knowledge of both parties. The point of knowledge is a very important one, a fair presentation under the terms of the Act requires the disclosure of every material circumstance which the proposer knows or ought to know. You need to ensure that you are talking to the right people within the organisation who have knowledge of the risk to be insured. For example, a finance director is unlikely to have much information that is required or an admin clerk may not know all the information regarding the business they are working for. If the broker does not speak to the right person with knowledge of the business they will run the risk of a successful charge of misrepresentation which could leave the policy holder with no cover and/or the Broker with a PI claim.

2 How do I present a risk?

Duty now under the Act, is to make a 'fair presentation of the risk'. The manner of the presentation should be 'reasonably clear and accessible to a prudent underwriter'. This means that the underwriter is no longer expected to sort through a wealth of information but the onus is on the Broker to present the information in a concise manner, signposting key points, for example specific location of a website or signposting to a specific page for construction details of the risk to be insured.

3 What information should I be recording?

The 'Basis of the contract' clause has been abolished so we can no longer rely on the Statement of Fact or the Proposal alone when collating information. Any additional information which is received with regards to the risk must be recorded in a clear and detailed manner so that it is easily accessible in the event of claim. Where the Broker has a suspicion that the Insured is misrepresenting the risk this must not be ignored and further enquiries must be made.

4 Will you be changing my policy clauses?

All clauses within your Broker Underwriting Guide (BUG) will be reviewed. Any clauses which refer to warranties will be re-worded as a 'conditions precedent to liability' which means that where there is non-compliance, and such non-compliance, there will be a consequence such as a claim not being paid or any claim already paid by us will be repaid to us. Any clauses on a policy schedule which are not in your BUG must be referred to us in advance of issuing renewal terms so we can ensure they are Insurance Act compliant.

5 Will you be changing my BUG?

We will include some underwriting guidance within the BUG regarding the principles of knowledge, presentation of the risk and the recording of information. The clauses within your BUG will also be updated. When your scheme is audited, compliance with Insurance Act will now be included in our audit.

For more information go to:

www.ecclesiastical.com/insuranceact

