

## Competition Law Compliance:

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## **LONG TERM UNDERTAKINGS (MATERIAL DAMAGE AND BUSINESS INTERRUPTION)**

### WORDINGS FOR INSERTION IN POLICIES

#### 1. **Non Collective Policies**

##### **Long Term Undertaking clause**

“In consideration of a discount of ..... per cent being allowed off the net premium(s) on (Items Nos..... of) this policy the Insured undertakes with effect from ..... to offer annually for ..... years the insurance **under this policy** on the terms and conditions in force at the expiry of each period of insurance and to pay the premiums in advance, it being understood that:-

- (a) the Insurer shall be under no obligation to accept an offer made in accordance with the above-mentioned undertaking;
- (b) the sum insured may be reduced at any time to correspond with any reduction in value.

The above-mentioned undertaking applies to any policy (or policies) which may be issued by the Insurer in substitution for this policy and the same discount of ..... per cent shall be allowed off the net premiums on (the corresponding items of) any substituted policy (or policies) issued by the Insurer.

Payment of the ..... premium due at the effective date specified above shall be deemed acceptance by the Insured of this clause”.

- Notes**
- 1 For Business Interruption policies amend  
“reduction in value”  
in sub-paragraph (b) to “reduction in the Business”.
  - 2 Where a policy is issued with separate sections for  
Material  
Damage and Business Interruption sub-paragraph (b)  
should be  
amended to read

- “(b) the sum insured may be reduced at any time in the case of Section ..... (Material Damage) to correspond with any reduction in value or in the case of Section ..... (Business Interruption) to correspond with any reduction in the Business”.
- 3 In the final paragraph, insert “first” if the undertaking commences at the inception of the policy; otherwise insert “renewal”.
- 4 Where a new policy is substituted for the original policy the words **in bold type** should be replaced by
- (i) “under Policy No ..... or any other policy or policies substituted for that policy” or
- (ii) “under the policy or policies for which this policy is substituted” in which case it should be stated on the face of the new policy “This policy is in substitution for policy no ..... which is cancelled”.
- 5 In respect only of any policy added to the Insured’s Under-taking at his request the words **in bold type** should be replaced by
- “under Policy No ..... and for the unexpired portion of the said period of ..... years the insurances under any other policy or policies effected after that date and added to the undertaking at his request”.

## 2. **Collective Policies**

### **Long Term Undertaking clause**

“In consideration of a discount of ..... per cent being allowed off the net premium(s) on (Item Nos ..... of) this policy the Insured undertakes with effect from ..... to offer annually for ..... years the insurance **under this policy** on the terms and conditions in force at the expiry of each period of insurance and to pay the premiums in advance, it being understood that:-

- (a) the Insurers specified herein shall be under no obligation to accept an offer made in accordance with the above-mentioned undertaking;
- (b) the sum insured may be reduced at any time to correspond with any reduction in value.

The above-mentioned undertaking applies to any policy (or policies) which may be issued by the said Insurers in substitution for this policy and the same discount of ..... per cent shall be allowed off the new premium on (the corresponding items of) any substituted policy (or policies) issued by the Insurers as aforesaid.

Payment of the ..... premium due at the effective date specified above shall be deemed acceptance by the Insured of this clause”.

- Notes**
- 1 For Business Interruption policies amend “reduction in value”  
in sub-paragraph (b) to “reduction in the Business”.
  - 2 Where a policy is issued with separate sections for Material Damage and Business Interruption sub-paragraph (b) should be amended to read  
“(b) the sum insured may be reduced at any time in the case of  
Section ..... (Material Damage) to correspond with any reduction in value or in the case of Section .....  
(Business Interruption) to correspond with any reduction in the Business”
  - 3 In the final paragraph, insert “first” if the undertaking commences at the inception of the policy; otherwise insert “renewal”.
  - 4 Where a new policy is substituted for the original policy the words **in bold type** should be replaced by “under Policy No ..... or any policy or policies substituted for that policy”.