

Best Practice Guide to Procedures for Collective Policies

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Part 1

GUIDELINES

- 1.1 A collective policy is a policy, which is subscribed to by two or more companies.
- 1.2 The premium is shown in the schedule of the policy and confirmation shall be the premium in respect of the whole sum insured by the collective policy calculated at the rate charged by the Member companies. The insurance premium tax shown in the Schedule of the policy and confirmation shall be the total tax appropriate to the premium shown.
- 1.3 Collective policies shall be signed by the Leading Office for and on behalf of the Co-insurers providing each of the companies has authorised signing by a signing slip.
- 1.4 No company shall repudiate liability under a collective policy on the ground that the policy is unenforceable at law by reason of the fact that it has not been signed by its own properly authorised representative.
- 1.5 In recognition of responsibilities of a Leading Office, each Co-insurers shall make a contribution to the Leading Office based on a proportion/percentage of its share of the premium whether net or gross excluding insurance premium tax and this is designated Leading Office Overriding Commission (LOOC). The collection and distribution of leading office overriding commissions will be arranged centrally by FPA, for which purposes companies will be required to complete a Leading Office return on a quarterly basis for insurance renewable in the preceding quarter. The returns are in respect of each material damage and business interruption collective policy where the minimum 100% scheduled premium is £50,000 or more.
- 1.6 Part 1 applies to both new and renewal business.

Part 2

PROCEDURES

2 Issue of the policy

- 2.1 Prior to the issue of the collective policy the Leading Office shall send closing instruction to each of the Co-insurers, together with a copy of the specification as

approved by the Leading Office. This need not apply to the London market where the necessary instructions are included on the slip.

- 2.2 The closing instructions must include the collective policy number and the details of the apportionment plus apportioned insurance premium tax and material damage and business interruption classification numbers. A recommended form of closing instruction is included in Appendix A.
- 2.3 Each co-insurer shall, within 15 days of receipt of the closing instructions, confirm its agreement and participation to the Leading Office by completion of a signing slip. A recommended form of signing slip is included in Appendix B.
- 2.4 The Leading Office will sign and issue the collective policy, to include a copy for all the Co-insurers, within 15 days of the receipt of the completed signing slips from all the Co-insurers.

3 Issue of endorsements

- 3.1 The Leading Office shall be responsible for sending a copy of each collective endorsement to each Co-insurer.
- 3.2 The Leading Office need only advise the Co-insurer of a major alteration in risk or sum insured, it being understood that for the latter purpose specification increases not exceeding in the aggregate £250,000 or 10% of the last advised total sum insured whichever is less, should not be deemed a major alteration.
- 3.3 Where the alteration exceeds £250,000, in the absence of any objection from any Co-insurer within 15 days, the Leading Office is authorised to sign the collective endorsement “for and on behalf of the Insurers named in the policy for the proportions specified therein.
- 3.4 An apportioned amount if less than £100 gross (before deduction of commission and excluding insurance premium tax), at the discretion of the Leading Office should not be allocated to any one participating company in respect of any additional or return premium.

4 Issue of endorsements effecting alteration in the participating in the collective policy

- 4.1 In the event of a schedule change the Leading Office will supply:
 - a) full particulars of the collective policy, including a copy of the specification, the proposed endorsement and any previous endorsements to the newly introduced Co-insurers, who in acknowledging them, will quote its reference number and authorise the Leading Office to sign the proposed endorsement on its behalf,
 - b) a copy of proposed endorsement (as set out in Appendix C) to each existing Co-insurer company and in the absence of any objection within 15 day, the Leading Office is authorised to sign the proposed endorsement of their behalf.

- 4.2 If the lead is transferred from the Leading Office to another company a new collective policy must be issued.

Part 3

APPENDICES RELATING TO COLLECTIVE POLICIES

Appendix A Closing Instructions

Appendix B Signing slip

Appendix C Endorsement wording

Please send signing slip, as soon as possible to:

APPENDIX A

APPORTIONMENTS

The Insurers	Proportion of the specification	Reference Number
Leading Office:		

APPENDIX B

RECOMMENDED FORM OF SIGNING SLIP

SIGNING SLIP

From..... Collective Policy No.....
..... Closing particulars of the undernoted case
..... Received and agreed. We hereby authorise the
..... Leading Office to sign the policy on our behalf.
.....
..... Signature.....

Address..... Date.....
..... Insured.....
.....

To
[] Situation.....
.....
..... Consumer's Proportion.....

[] Consumer's Reference No.

SIGNING SLIP

From..... Collective Policy No.....
..... Closing particulars of the undernoted case
..... Received and agreed. We hereby authorise the
..... Leading Office to sign the policy on our behalf.
.....
..... Signature.....

Address..... Date.....
..... Insured.....
.....

To
[] Situation.....
.....
..... Consumer's Proportion.....

[] Consumer's Reference No.

RECOMMENDED FORM OF ENDORSEMENT WORDING

ENDORSEMENT APPLYING TO:

POLICY NUMBERED:

IN THE NAME OF:

INSURERS

The word 'Company' wherever it appears shall be deemed to mean the insurers named below or Insurers whose names are with the consent of the Insured substituted for such Insurers by a memorandum signed by or on behalf of all the Insurers concerned.

Under this policy the liability of each of the Insurers individually shall be limited to the proportion set against its name or such other proportion as may be substituted therefore by memorandum hereon or attached hereto signed on behalf of the Insurers.

The Insurers	Proportion of the specification	Reference Number
Leading Office:		

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