

Personal Effects Insurance Contribution Agreement

Competition Law Compliance:

This document has been produced by the ABI to assist members in their handling of a particular matter. Adoption by members of any terms, standards, guidance, recommendations or similar statement contained in this document is voluntary and entirely at the discretion of each individual member.

Introduction

The purposes of this agreement are:

- (a) to avoid adverse publicity and criticism of the insurance industry caused by insurers referring policyholders to other insurers for payment of part or all of their claim.
- (b) to avoid costly and time-consuming handling and payment of small contribution amounts.
- (c) to set out rules for contribution between participating insurers.

Agreement

1 When Contribution Is Required

Insurers subscribing to this Agreement who transact household, all risks, motor, travel, and other personal insurances as defined will deal with claims for the loss of personal effects insured under two or more such policies, irrespective of their policy or policies containing contribution or non-contribution clauses or exclusions of property insured elsewhere, as follows:

- I **motor accidents/thefts** **no contribution**
claims for personal effects lost or damaged in a motor accident or stolen from a vehicle (including attempted theft) will be settled by the insurer against whom the claim is made subject to their policy limit (if any) without requesting contribution from another insurer who covers the loss.
- II **specified items** **generally no contribution**
claims for specified items in an annual all risks, household, travel or other personal insurance policy will be settled by that insurer without requesting contribution, except where the same item(s) is(are) specified in another policy, in which case the claim shall be settled by the insurer against who the claim is made, subject to their policy limit (if any), and they may obtain a contribution from the other specific insurer.
- III **all other circumstances** **contribution is required**
all other claims for loss of or damage to personal effects will be handled by the insurer against whom the claim is made. That insurer may obtain contribution to their settlement from the other relevant insurer(s) if the settlement exceeds £150 and the other insurer is not a motor insurer.

2 Basis of Contribution

Where a contribution is required, it shall be calculated on the basis that each insurer is independently liable to settle the claim. The calculation of contribution based on independent liability is explained in the appendix to this agreement.

3 No Claim Discount

Where one of the Policies involved contains a No Claim Discount Clause, the following will apply:

- I No Claim Discount will not be prejudiced where the only payment made under that policy is a contribution requested by another Insurer.
- II No Claim Discount will be prejudiced where the policyholder makes a claim directly against the policy providing a No Claim Discount, either at the outset or to "top up" any payment received from another Insurer.
- III An Insurer whose policy contains a No Claim Discount will only make a payment in addition to a contribution requested by another Insurer on receiving a claim directly from the Policyholder.

4 **Threshold for Contribution**

Contribution may be claimed from another insurer under this agreement if the settlement exceeds £150. The amount above which contribution becomes due shall be reviewed by the participating insurers at least every two years.

5 **Definitions**

- I **"other personal insurances"** means policies such as bicycle; caravan and sports equipment policies which provide cover for personal effects but does not include commercial policies which provide cover for directors and/or employees' personal effects.
- II **"personal effects"** includes money and travellers cheques.
- III **"specified items"** are those which are individually described in a policy or its schedule and insured for an individual value or sum insured.
- IV **"settlement"** is the amount paid to a policyholder to settle his/her claim net of excess and does not include adjusters' and other service providers' fees for investigation and/or handling (such fees will be borne by the handling insurer alone).

6 **Guidance Notes**

- I **notification of claim** - neither the policyholder's failure to notify a claim nor late notification shall prevent this Agreement from operating.
- II **settlement information** - when requesting contribution the handling insurer will provide a copy of the completed notification form or a brief note of the claim details if notified by telephone together with any supporting documentation plus the requisite information as set out in Appendix 1
- III **handling expertise** - for the purposes of this agreement the non-handling insurer will not question the handling insurer's handling or settlement of the claim. The operation of the Agreement is strictly on a "follow the fortunes" basis.

The non-handling insurer is required to contribute where the intention of the insurance is to cover the loss in terms of subject matter, location and circumstances. Where this is the case, for the purposes of this Agreement, "dual insurance" will apply.

Conditions and exclusions that relate to proof of value; loss reporting or breach of policy conditions cannot be utilized to delay or deny contribution.

Examples designed to illustrate these principles can be found in Appendix 2.

IV **refusal of contribution** - the grounds for any refusal must be fully explained to the handling insurer.

V **disputes** - in the event of any dispute arising under the agreement, the matter shall be referred to the ABI Disputes Committee whose decision shall be binding. The Committee will be a body of last resort and disputes will only be referred to it after discussions between senior claims officials at Head Office level of the insurers involved have failed to produce a solution.

Insurers are encouraged to look for ways of bringing cases within the ambit of the Agreement rather than looking to escape their obligations by seeking to make use of any policy exceptions or exclusions. The Disputes Committee will carefully consider Insurers' compliance with the "spirit" of the Agreement when considering any case that comes before it.

The Disputes Committee will operate as set out in Appendix 3.

VI **operative date** - insurers subscribing to this agreement will automatically be recorded as adhering from TBA, the date of introduction of the agreement.

VII **withdrawal** - a participating insurer will give three months notice to ABI of their intention to withdraw. The agreement still applies to all claims notified in this period.

Annex A

Independent Liability - Contribution Between Travel And Household Insurer

Contribution shall be calculated as follows:

$$\begin{array}{l} \text{independent liability} \\ \text{of contributing insurer} \end{array} \times \frac{\text{settlement made by primary insurer}}{\begin{array}{l} \text{independent liability} + \\ \text{of primary insurer} \end{array} + \begin{array}{l} \text{independent liability} \\ \text{of} \\ \text{contributing insurer} \end{array}}$$

Contribution on the basis of independent liability is governed by the limits of liability under the policies involved in relation to the total cost of settlement.

The words underlined are important in calculating the payment between insurers. Different amounts arise depending against which insurer the claim is made.

Examples Of Calculation Of Contribution Based On Independent Liability

Amount claimed £ 380.00
Policy cover travel insurer £ 200.00 limit, no excess
household insurer £5,000.00 limit, subject to £50.00
excess

(a) Claim intimated against Travel insurer

Travel insurer's independent liability £200.00
Household insurer's independent liability £330.00 (£380.00 less £50.00
excess)
Travel insurer pays policyholder £200.00
& seeks contribution from household insurer

$$\begin{array}{l} \text{contribution} = \\ \text{£124.53} \end{array} = \begin{array}{l} \text{£330.00} \\ \end{array} \times \frac{\text{£200.00}}{\text{£200.00} + \text{£330.00}} =$$

As the claim was made against the travel insurer, any NCD on the travel policy can be affected, but not on the household policy.

If the policyholder thereafter claimed the shortfall of £180.00 from his Household insurer, this should be apportioned using the independent liability method, and set against that part of the Travel insurer's sum insured which has not been exhausted. NB: in the example above the Travel insurer's sum insured is not exhausted, because the net payment is £75.47 (£200.00 - £124.53).

Household insurer's independent liability £130.00 (£180.00 less £50.00
excess)
Travel insurer's independent liability £124.53
Household insurer pays policyholder £130.00
& seeks contribution from travel insurer

$$\begin{array}{l} \text{Contribution} = \\ \text{£63.60} \end{array} = \begin{array}{l} \text{£124.53} \\ \end{array} \times \frac{\text{£130.00}}{\text{£130.00} + \text{£124.53}} =$$

As a claim has now been made directly against the household insurer, any NCD on the household policy can now be affected. The travel insurer may not further reduce any NCD on the travel policy.

The final position is as follows:

The policyholder receives	£330.00
The travel insurer paid	£139.07
The household insurer paid	£190.93

(b) Claim intimated against Household insurer

Household insurer's independent liability		£330.00	
Travel insurer's independent liability		£200.00	
Household insurer pays policyholder & seeks contribution from travel insurer		£330.00	
contribution =	£200.00	x	<u>£330.00</u> =
£124.53			£330.00 + £200.00

As the claim was made against the household insurer, any NCD on the household policy can be affected, but not on the travel policy.

If the policyholder thereafter claimed the shortfall of £50 from the Travel insurer, no contribution can be sought as the claim is below the threshold for contribution (currently set at £125).

As a claim has now been made directly against the travel insurer, any NCD on the travel policy can now be affected

The final position is as follows:

The policyholder receives	£380.00
The household insurer paid	£205.47
The travel insurer paid	£174.53

(c) Claim intimated against both Travel and Household insurers

The policyholder is seeking to obtain maximum payment without having to incur the policy excess - he is paying two separate premiums.

If this is accepted as correct, then the total cost of settlement (as referred to in the notes to the agreement) is £380.00.

Travel insurer pays	£200.00	x	<u>£380.00</u> =
£143.40			£200.00 + £330.00
Household insurer pays	£330.00	x	<u>£380.00</u>
= £236.60			£330.00 + £200.00
=			£380.00

As a claim has been made directly to each insurer, any NCD on either the travel or household policies may be affected.

Summary

It should be understood that different answers can and will arise depending on whether the claim was submitted in the first instance to the Travel or Household insurer.

The starting point for calculating the contribution must be what the handling insurer has paid in settlement, while recognising that had the claim been made against the other insurer, a different settlement figure might have been paid or shared.

NCD will only be affected if the policyholder has directly made a claim under that policy.

Personal Effects Insurance Contribution Agreement

List of signatories

The following Lloyd's syndicates have indicated their support for the Agreement:

Appendix 1

Information required by Insurers when requesting contribution

1. For travel insurers when travel insurance is purchased by means of an insurance policy:

- (a) travel policy schedule
- (b) holiday booking invoice or other proof of holiday/trip costs and dates

If the schedule is not available the following:

- (a) holiday/trip destination
- (b) duration of holiday
- (c) holiday booking invoice or other proof of holiday/trip costs and dates

2. For travel insurers when travel insurance is provided with Bank Accounts or Credit Cards:

Bank providing insurance	Type of account	Information requirement	Insurer
Bank of Scotland	Gold	Paid using credit card	FirstAssist
Bank of Scotland	Premier	Paid using credit card 50%	FirstAssist
Barclaycard	Black	Paid using credit card	FirstAssist
Barclaycard	Infinite	Paid using credit card	FirstAssist
Barclaycard	Premier	Paid using credit card	FirstAssist
Barclays	Additions Plus	Accountholder	Norwich Union
Co-op	Privilege	Accountholder	Norwich Union
Co-op	Privilege Club	Accountholder	Norwich Union
Co-op	Privilege Premier	Accountholder	Norwich Union
Co-op	Smilemore	Accountholder	Norwich Union
HSBC	First Directory	Accountholder	Norwich Union
HSBC	Premier	Accountholder wef 06/06/05	Norwich Union
HSBC	Plus	Accountholder wef 06/06/05	Norwich

			Union
Lloyds TSB	Gold	Paid using credit card	Genworth
Lloyds TSB	Premier	Paid using credit card	Genworth
MBNA	Gold	Paid using credit card	Norwich Union
MBNA	Premier	Paid using credit card	Norwich Union

KEY

Paid using credit card –copy of statement confirming payment and evidence of the trip costs such as booking invoice or original travel tickets

Paid using debit card or cheque payment – confirmation of payment and evidence of the trip costs such as booking invoice or original travel tickets

Accountholder – bank account no and sort code

Appendix 2

Examples of conditions and exclusions that relate to proof of loss reporting or breach of policy conditions that cannot be utilized to delay or deny contribution.

Valuables in checked in baggage. Where the policy does not cover valuables in such circumstances then 'dual insurance' is not in place and the exclusion applies.

Theft not involving 'forcible & violent entry or exit'. An exclusion of this nature clearly defines those circumstances where there is no cover and 'dual insurance' does not exist for the purpose of this Agreement.

Loss not reported to Police (within 24 hours) or absence of Police report. This does not relate to the subject matter, location, or circumstances therefore contribution will apply.

Receipts and/or proof of ownership/value, purchase dates or proof of booking. Information of this nature cannot be used to delay or deny contribution.

Additional details of the circumstances of the loss. The non-handling insurer will not question the handling insurers acceptance of the claim where initial details demonstrate that 'dual insurance' is in force.

Policy conditions such as 'reasonable care'. The non-handling insurer will accept that 'dual insurance' is in place and will not question acceptance of the claim.

Absence of a 'Property Irregularity Report' in airline baggage claims relates to proof (and enables a recovery to be sought from the airline) rather than circumstances therefore contribution is required and the same principle applies in relation to any other type of loss report.

The above is not a definitive list. The intention is to illustrate the principles to be applied where contribution under the Agreement is requested.

Appendix 3

The Dispute Committee

1. The function of the Disputes Committee is to resolve, as expeditiously as possible, disputes arising between insurers who are parties to this Agreement.

2. Notes for Guidance

(a) The Committee will be a body of last resort and disputes will only be referred to it after discussions between senior officials at Head Office level of the insurers involved have failed to produce a solution.

(b) It is not intended that the Committee should replace or restrict any other arrangements for the resolution of disputes, particularly any formal arrangements between Insurers which contain provisions for the resolution of disputes in matters of contribution. Where informal arrangements exist however, the Committee's jurisdiction can apply.

(c) Insurers are encouraged to look for ways of bringing cases within the ambit of the Agreement rather than looking to escape their obligations by seeking to make use of any policy exceptions or exclusions. The Disputes Committee will carefully consider Insurers' compliance with the "spirit" of the Agreement when considering any case that comes before it.

3. Structure

The Disputes Committee will be chaired by a member of the secretariat of the General Insurance department of the Association of British Insurers (hereinafter referred to as the secretariat) who will provide independent chairmanship but will not vote. Membership of the Committee shall comprise one representative each from 3 subscribing members, such representation to be chosen by the secretariat.

4. Procedure

When agreement has been reached between insurers for a reference to the Disputes Committee, it is the responsibility of those insurers to advise the secretariat that a stage of dispute has been reached and to request a meeting of the Disputes Committee.

Each insurer will be invited to submit a statement of facts on which they will rely, setting out their case, for consideration by the Committee. Alternatively, a jointly agreed statement of facts can be submitted.

5. Decisions

Once the Committee has reached its Decision, the secretariat will advise the insurers of the outcome.

Any Decision that has wider implications can be advised by the secretariat to Insurers who are signatories to the Personal Effects Contribution Agreement with the identities of the parties involved removed.