

The Association's Conditions of Membership and other Arrangements

Membership of the Association is open to all Companies or bodies of persons authorised by the appropriate supervisory authority to transact insurance business of any class in the United Kingdom, including EEA companies trading under the Single Licence. The Association has around 400 companies in membership. Between them, they provide 91% of domestic insurance services sold in the UK. ABI member companies account for almost 20% of investments in the London Stock Market.

This document relates to the compulsory and voluntary arrangements that are conditions of ABI membership. An arrangement is any agreement or undertaking between members that the ABI is a party to, facilitates or administers. Arrangements include, but are not limited to, statements and codes of practice, memoranda of understanding, undertakings, model wordings terms of business, guidance and other agreements.

Compulsory Arrangements applicable to all Members

- **Constitution** – the Association is governed by its Constitution. It lays the framework for the entire organisation of the ABI – The Board, Councils and Management Committees – and sets out details of membership, resignation, general meetings and related matters. The Constitution states that members must comply with the Constitution, must not bring the industry or the Association into disrepute, must abide by the codes of conduct and statements of practice which are affirmed by the Board, and must pay subscriptions (see below). Please visit the Member Relations' pages of our website (www.abi.org.uk) for a full copy of the Constitution.
- **Subscriptions** – the Constitution gives the Board Members power to determine the annual subscription. The Board shall give notice to every Member of the total amount of any levy and of the amount payable by that Member, and every Member shall pay such levy within 14 days of the giving of such notice.

The Board shall also have power from time to time to determine the amount of levy required to be paid by Members and the proportions thereof to be paid by each Member or prospective Member to meet the expenses (including estimated future expenses) of the Association or to meet any deficit in any financial year as shown in the audited accounts submitted to the Annual General Meeting.

- **Pension Scheme Deficit Levy**

The Board has decided that the Pension Scheme deficit ('the scheme deficit') should be paid off over 10 years (including 2005) from increased subscriptions.

To ensure that all members of the ABI share equally in the funding of the scheme deficit the Board has determined, in accordance with Article 10 of the Constitution, that members are to pay a levy ('the Pension Scheme Deficit Levy') covering the full amount of their share of the scheme deficit with payments to be made in annual instalments until that deficit is fully paid off.

Any member paying all their instalments of the Pension Scheme Deficit Levy in the period from 2006 to the date the scheme deficit is fully paid off will be deemed to have paid the full amount of their share of that deficit. However, pursuant to Article 13 of the Constitution, any member leaving the ABI before the scheme deficit is fully paid off is required to pay all their outstanding annual instalments of the Pension Scheme Deficit Levy.

- **Arbitration Clause Agreement** – requires insurers not to insist on the enforcement of arbitration clauses in standard forms of policy if the insured prefers to have questions of liability determined by the Court. It does not apply to reinsurance, marine, aviation or credit insurance. It dates from 1956.
- **Genetic Testing Concordat, Moratorium and Code of Practice** – regulates the use of predictive genetic test results in respect of all relevant classes of insurance. Members providing relevant insurance must nominate a Genetics Underwriter for compliance and contact purposes. Insurers cannot use any tests unless they are approved by the Government's Genetics and Insurance Committee as clinically accurate and actuarially relevant. Even if a test is approved insurers cannot use it except for high value policies above the financial limits set out in the Moratorium. The Code was first published on 1 January 1998 and last revised in August 1999. The Moratorium was agreed with the Government in October 2001. In March 2005, ABI and the Government entered into a Concordat and Moratorium on Genetics and insurance. This provides a single high-level policy agreement on the use of genetic test results in insurance underwriting practices.

Voluntary Arrangements applicable to Members transacting both Life and General Insurance Business

- **Statement of Recommended Practice (SORP) on Accounting for Insurance Business** – aims to narrow the range of accounting practices in order to enhance the usefulness of insurers' financial statements and to provide guidance on certain provisions of the Companies Act 1985 which require further clarification, or are insufficient to ensure a uniform interpretation. It was originally introduced in 1986 and last revised on 21 December 2006.
- **Supplementary Reporting for Long-Term Insurance Business (the achieved profits method)** – guidance aimed at listed life insurers as an alternative method of determining shareholder profits from life insurance business to be disclosed as supplementary information. It was introduced in December 2001.
- **An Insurers' Guide to the Disability Discrimination Act 1995** – sets out best practices and procedures to enable insurers to interpret and apply legislation correctly and consistently. It was published in September 2001 and revised in January 2003.
- **Data Protection Guidance - A Practitioner's Handbook** – joint financial services trade association guidance to ensure that firms receive consistent advice and guidance and adopt a common interpretation of the legislation. It was published in October 2000. ABI began working on bespoke guidance for the insurance sector in mid-2005. Guidance has been published on '**Subject Access Requests**', '**Fair Obtaining**' and '**Lawful Processing**'. Guidance on the '**Instruction and Use of Private Investigators and Tracing Agents**' will be published during Spring 2007.
- **Insurance Policies and Unfair Contract Terms** – guidance for Members on the major issues covered by the Unfair Contract Terms Regulations including the meaning of 'consumer', the implications of the requirement of 'utmost good faith' and 'plain intelligible language'. It was published in 1996 and revised in December 2000. Further advice on the regulations and reviewable premiums was issued in 2006.
- **Industry Process Guide for FOS Issues with Wider Implications** – joint financial services industry protocol setting out a framework for the appointment of industry experts who will prepare presentations to better inform the Ombudsman's decisions where an issue with wider implications arises.
- **A Guide to the ICA Process for Insurers** - provides advice to companies in developing their ICA submission. It describes a variety of established approaches companies currently use to meet the ICA requirements, as well as emerging thinking in the industry on how to prepare the ICA. The Guide complements the FSA's ICA rules and guidance with advice on the approaches that firms may wish to use in meeting the FSA's requirements. Firms are not bound to follow this advice and there may be circumstances where it is appropriate to adopt different techniques. First published February 2007.

Applicable to Members Transacting General Insurance Business

- **Credit Hire Protocol** – non-binding protocol between motor insurers and credit hire organisations that is also known as the General Terms of Business Agreement. It provides a mechanism for the settlement of claims relating to the hire charges for replacement vehicles offered by credit hire organisations to innocent drivers involved in accidents, the cost of which is recoverable from the at fault driver’s insurer. It was introduced on 1 September 1999 and revised in July 2005.
- **Memorandum of Understanding (Subrogated Motor Claims - Courtesy Cars)** – streamlines the subrogation claims process by standardising the treatment of claims in respect of courtesy cars. It dates from December 1996.
- **Memorandum of Understanding (Subrogated Motor Claims)** – streamlines the subrogation claims process, in particular the administration of inspections, so controlling repairs costs whilst at the same time maintaining quality and customer service standards. It was introduced in February 1997.
- **Statement on “Inevitable Accident”** – this Statement, which was introduced during the 1960s, applies to all Members of the Motor Conference. It deals with the unexpected death of the driver at the wheel, causing injury to another party.
- **Motor Insurers’ Notification Scheme** – MoU between the Motor Conference and Hire Purchase Information Ltd to ensure that the proceeds of an insurance payout go to the owner of the vehicle. Insurers submit details of intended total loss claims. It was originally introduced in the 1930s and became automated in 1987.
- **Recommendation on Treatment of Loss of No Claims Discount Claims to Motor Insurers’ Bureau** – recommendation to the Motor Conference that insurers should not disallow no claims discounts in certain circumstances where a policyholder had successfully pursued a claim against the MIB. It was introduced on 21 December 1995.
- **Declined Cases Agreement** – applies to members of the Motor Conference who undertake not to decline cover to existing customers or to anyone who has not held a policy within the previous three years, unless this will be contrary to the public interest. It was introduced in the 1930s.
- **Recommendations for Handling Loss of Use Claims** – recommendations to the Motor Conference to minimise delays in settlement of loss of use claims. It is also known as the Forbearance Recommendation. It was introduced in 1981.
- **Road Traffic Act 1988 “Use” Agreement** – this Agreement, sometimes known as the “Cork Bays Agreement”, discourages insurers from using the Cork Bays and Moran decisions to avoid RTA Liability. It was introduced on 1 July 1999.
- **Third EU Motor Directive Market Agreement** – ensures that policyholders are not left unwittingly without insurance cover. It was introduced on 30 July 1996.
- **Code of Practice for the Disposal of Motor Vehicle Salvage** – commonly known as the “Salvage Code”. This sets down standards for the disposal of Motor Vehicle Salvage to apply to Motor Conference Members as well as Motor Vehicle Salvage Agents. It was introduced in February 1998. A revised version, reflecting changes in associated statutory and related regulatory requirements, was published in March 2007.
- **Dual Indemnity Agreement** – sets down clear no claims discount rules where dual Insurance is held, thereby speeding up and making more equitable the claims settlement process. It was introduced in September 1991.
- **The Car Sharing Undertaking** – by this undertaking, given by the Motor Conference to the Government, insurers agree not to regard the receipt of contributions as part of a car sharing arrangement for social or other similar purposes as constituting the carrying of passengers for hire or reward. It came into force on 30 August 1978.
- **Treasury Undertaking** – this undertaking, given by the Motor Conference to the Treasury, clarifies the extent of cover under a private car policy when a mileage allowance is received for travel on-business. Similar undertakings have been

agreed with a wide range of bodies. It dates back to the 1940s.

- **Trade Association Health and Safety Risk Assessment Initiative** – aims to improve the knowledge of good health and safety practice amongst trade associations and insurers. It was introduced in September 2003.
- **Statement of Recommended Good Practice for Minimum Notice Renewal** – gives employers a minimum period of notice for renewal of employers' liability insurance and package insurance which contains an employers' liability element. It was introduced in August 2003.
- **The Rehabilitation Code** – this code of best practice on rehabilitation, early intervention and medical treatment in personal injury claims was introduced in 1999.
- **Model Pollution Wordings** – clarifies the extent of cover provided under public liability policies in respect of pollution. It was introduced in 1990.
- **Guidelines for Apportioning and Handling Employers' Liability Mesothelioma Claims** – this Agreement, also known as the "Fairchild Agreement", was introduced in October 2003.
- **Lister V Romford Ice Agreement** – EL Insurers agree not to institute a claim against an employee or an insured employer in respect of death or injury to a fellow employee unless there is evidence of collusion or wilful misconduct. It was introduced in 1959.
- **Code of Practice for Tracing Employers' Liability Insurance Policies** – facilitates the tracing of insurance policies taken out by employers in the past and ensures that insurers keep future records for a period of 60 years. It was introduced in October 1999.
- **Employers' Liability Claims Experience Form** – any Liability Insurer may request that a broker uses this standardised pro-forma in providing the claims history of a customer. The current version dates from 2001.
- **Model E-Commerce Wordings** – suggested wordings to clarify the extent of cover provided in respect of e-commerce risks. They were introduced in 2001.
- **Model Y2K Wordings** – suggested wordings to clarify the extent of cover provided in respect of Y2K Risks. They were introduced in August 1999.
- **Model 'Driving Other Cars' Wordings** – suggested wordings to prevent unintended use of insurance cover to secure recovery of an uninsured vehicle that has been seized by the police. They were introduced in January 2007.
- **Broker Reporting Mandates** – recommended procedures agreed with BIBA to be observed by Members when approached by a reporting broker or other intermediary for certain general classes of business. They were introduced in 1993 and revised in 1996.
- **The Personal Effects Contribution Agreement** – sets out the criteria for deciding whether the contribution will be made either by a household or travel insurer when both policies are held. It was originally introduced in 1981 and revised in January 1999 and January 2005.
- **Terms of Business Agreements (between Brokers and Insurers)** – provides guidance on possible indicative high level principles to which insurers and intermediaries should have regard when developing TOBA. They were introduced on 26 May 2004.
- **ABI/BBA Banks Agreement** – agreement to notify subscribing banks with an interest in a mortgage property of any change or cancellation of cover of a property and also to keep a policy in force for the bank's benefit if asked to do so. This was introduced in April 1992.

- **Recommended Practices – Wordings and Procedures relating to Material Damage and Business Interruption Commercial and Industrial Insurance** – also known as the “Blue Book”. This contains details of standard policy wordings to assist insurers in developing policies and to improve the comparability of cover available for consumers. It was published in October 1986.
- **The Combe Down Stone Mines Subsidence Agreement** – facilitates continued provision of insurance cover in respect of properties affected by historical stone mine workings until such time as remedial strengthening works have been finished. It was introduced in December 1999.
- **Dual Insurance** – guidance note which sets out the procedure to follow where there are two household policies in place and one of the policies has been effected or renewed in error. It was issued in October 1999.
- **Joint Code of Practice on the Protection from Fire of Construction Sites and Buildings Undergoing Renovation** – facilitates the prevention of fires on construction sites outlining measures on safe working practices. It was introduced in January 2005.
- **ABI Statement of Principles on the Provision of Flooding Insurance** – provides a framework within which insurers can deliver the industry’s stated intention to continue to make available flood insurance to as many domestic and small business customers as possible. It was introduced on 1 January 2003.
- **The Domestic Subsidence Agreement** – sets out the way that insurers deal with subsidence, heave and landslip claims when the homeowner changes insurer. It was originally introduced in October 1993 and revised in January 2000.
- **Domestic Subsidence Tree Root Claims Agreement** – sets out the way that insurers deal with tree root damage claims. It was introduced in June 1997.
- **The ABI Theft/Impact Claims Agreement** - agreement to deal with a theft or attempted theft that gives rise to a claim for damages for a building under both a theft policy and the impact extension of a material damage policy. It was introduced in June 1995.
- **The ABI/British Tunnelling Society Joint Code of Practice for Risk Management of Tunnel Works in the UK** – aims to secure best practice for the minimisation and management of risks associated with the design of tunnel works. It was introduced in September 2003 and revised in May 2005.
- **Guidance on Continuation of Cover following a Subsidence Claim** – relates to policies covering domestic properties owned and occupied in a personal capacity where subsidence, heave or landslip has caused damage to insured property. Following the claim, it is good practice to work with a policyholder to identify action that could be taken to manage ongoing risks and maintain cover wherever possible. It was introduced on 1 January 2005.
- **Contract Certainty Code of Good Practice** – joint code which sets out the standards to which members of the ABI, BIBA and the IIB should adhere in order to achieve contract certainty. The purpose is to make clear to policyholders, intermediaries and insurers the totality of coverage when general insurance policies are incepted and renewed. It is supplemented by guidance notes and a checklist and applies to all contracts incepted or renewed on or after 1 October 2005.
- **Model Payment Protection Insurance (PPI) Refund Wording** – suggested wording to explain to customers that their refund when cancelling their PPI policy may not be pro-rata and to indicate the level of refunds they can expect to receive through the use of a table and/or example.
- **ABI, ACPO, CILA Protocol for responding to emergencies** - sets out procedures for ABI and insurers to receive information from the Police and emergency services following a disaster.

Voluntary Arrangements Applicable to Life and Health Insurers and Pension Providers

- **Customer Impact Scheme** - a concerted commitment by the pensions, protection and investment industry to drive up customers' experience and be openly held to account for its performance. It includes a series of good practice guides covering 'Clear language and layout'; 'Handling customer claims'; 'Reporting against customer commitments'; 'Yearly statements'; 'Complaints handling' and 'Responsibilities of providers and advisers'. Further guides will be developed during 2007.
- **Endowment Mortgage Policy Review Code of Practice** - aims to ensure that all investors with mortgage endowment policies bought with the intent to pay-off all or part of a mortgage and who are still paying premiums, are kept regularly informed of the progress of such life policies in meeting this intention. It was originally introduced in October 1999 and revised in May 2004.
- **Statement of Long-Term Insurance Practice** - applies to life insurance for policyholders resident in the UK and insured in their private capacity only. It covers what level of information the proposer can be expected to disclose on any proposal forms and how that disclosure of information affects claims and renewals. It was introduced in January 1986. Whilst much of the Statement has been superseded by the FSA ICOB rules, the Statement has been incorporated into the **ABI Guidance on Application Form Design for Life and Health Protection Insurance** published in February 2006. This aims to ensure that all relevant information is disclosed at the application stage.
- **The Statement of Best Practice for the Selling of Private Medical Insurance** - aims to ensure that the particular information needs of individual customers are met so that they can make an informed choice when buying a PMI Policy. It was introduced on 14 January 2005 and revised in July 2006. The revised Statement should be implemented at the very latest by 31 December 2007.
- **Statement of Best Practice for Critical Illness Cover** – aims to protect consumers and aid understanding and comparison of critical illness policies through having a common format for describing cover at point of sale, the use of common generic terms and model wordings and exclusions that meet minimum standards. It originally dates from April 1999, was revised in August 2004 and April 2006. The revised Statement should be implemented by April 2007.
- **Statement of Best Practice for Income Protection Insurance** – covers clarity, use of key features requirements and gives guidance on certain policy terms and conditions. It was introduced in August 1999 and revised in August 2003.
- **ABI Statement of Practice – Underwriting Life Insurance for HIV/Aids** - aims to enable insurers to assess accurately applications for long-term insurance where HIV may be an issue in such a way that avoids intrusive or inappropriate questioning. It was introduced in July 1994 and revised in October 2004.
- **ABI/BMA Joint Guidelines on Medical Information and Insurance** - sets out best practice and practical advice on the use of medical information and insurance. It is primarily designed for general practitioners and other doctors who are asked to provide medical information to insurance companies. It was published in December 2002 and will be reviewed during 2007.
- **ABI/BMA Fees Agreement** - sets out the agreed fees for GP reports, supplementary reports and medical examinations as well as agreed standards for the quality of such reports. It was introduced in 2002 and revised in July 2006.
- **Industry Standard General Practitioners Report Form and Informed Consent** - wording agreed by the ABI and BMA of the standard GPR form and covering letter for obtaining medical information on insurance protection products and the informed consent wording on the insurance application.
- **The Pensions Maturities Statement of Good Practice** – describes minimum standards in timing and terminology recommended to apply to the handling of pensions on maturity, from issue of the claims notification to purchase of annuity or drawdown. It was originally introduced in August 2002 and revised in December 2005.

- **The Pension Transfers Statement of Good Practice** – describes the minimum standards for the smooth transfer of pension arrangements between providers, in order to ensure a quick, clear and smooth pension transfer process for consumers, financial advisers and pension providers. It was originally introduced in January and revised in June 2006.
- **Resource Pack for Financial Promotions** – ABI resource pack aimed to improve customers' experience of the industry. It contains a risk assessment; good practice on processes and measures and guidance for with-profits and structured products promotional literature.
- **Guide for Ensuring Balance in Financial Promotions for Equity Release Products** – outlines information firms should consider when designing equity release promotions to ensure a balanced picture of the product is given. It was introduced in September 2006.
- **Guide on Provider-Adviser Responsibilities in relation to Financial Promotions** – joint guidance with AIFA intended to help firms and advisers understand their responsibilities and mechanisms they may need to consider. It was introduced in September 2006.
- **Guidance on Basic Advice** – aims to raise confidence in basic advice on stakeholder products to foster a shared understanding of standards expected of advisers and help break down barriers to entry. It was introduced in October 2005.
- **Guide of Good Practice for Unit Linked Funds** – establishes standards that the ABI believes all companies managing unit linked funds should aspire to and work towards and to provide specific guidance for firms looking to understand what TCF means in the context of unit linked fund governance. The guidance will inform the FSA's approach to supervision of unit linked life offices.
- **Markets Statistics Exchange (MSE)** – statistical scheme which facilitates the exchange of information amongst life insurers which shows trends in particular sectors of the market. It was introduced in 1989.

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