

## UK LIVE EVENTS REINSURANCE SCHEME

### Outline of Scheme Rules

#### 1. Background

This document sets out an outline of the scheme rules for a Live Events Reinsurance Scheme (the “**Scheme**”) to be set up by the Secretary of State for Digital, Culture, Media & Sport (“**DCMS**”) involving the reinsurance by Her Majesty’s Government (“**HMG**”) of certain liabilities of participating insurers in respect of events cancellation insurance policies (such insurers, “**ECIs**”) written by ECIs for the benefit of insureds covering certain events physically located in the United Kingdom.

This outline will be expanded into full-form scheme rules (the “**Scheme Rules**”) as the Scheme is operationalised. Whilst the Scheme Rules are expected to be consistent with this outline, the full and final terms of the Scheme Rules may differ in some respects from the terms set out in this outline

#### 2. Scheme Period

The Scheme will run for a period (the “**Scheme Period**”) from [*the first date the full-form Scheme Rules are published*] (the “**Scheme Launch Date**”) until 30 September 2022 (the “**Scheme End Date**”).

#### 3. Scheme Documents

The Scheme will be comprised of the Scheme Rules, along with a Reinsurance Agreement and a Disclosure Letter for each Eligible ECI.

The Scheme Rules (and commercial terms of the Reinsurance Agreements) may at HMG’s discretion be reviewed in consultation with the Eligible ECIs, policyholders, events providers and other stakeholders prior to the end of the Scheme Period.

HMG reserves the right to pause the Scheme at any time (with respect to reinsuring new policies, and without prejudice to policies already reinsured under the Scheme), including if it does not represent value for money for the taxpayer.

#### 4. Scheme Participants

Only Eligible ECIs may participate in the Scheme.

An “**Eligible ECI**” will be an insurer (this may include a branch of a foreign insurer) who:

- (a) satisfies customary know your customer and applicable anti-money laundering requirements;
- (b) is duly authorised and regulated to carry on insurance business in the UK;
- (c) meets a minimum credit rating to be specified by HMG (e.g. AM Best, S&P or Fitch); and

(d) meets any other criteria specified by HMG,

and who has been accepted and approved by HMG (at its discretion).

Policyholder captives and any associated policies or equivalent self-insurance structures are ineligible for the Scheme.

FCA authorised Managing General Agents (“**MGAs**”) and Lloyd’s managing agents meeting know your customer and anti-money laundering requirements will be eligible to participate in the Scheme on an agency basis.

Subject to the ability to opt out, Eligible ECIs will participate in the Scheme until the end of the Scheme Period.

The Eligible ECI will write Eligible Policies in respect of Eligible Events.

## **5. Eligible Policies**

An “**Eligible Policy**” will be a valid, binding events cancellation insurance policy:

- (a) provided by an Eligible ECI, or provided on a subscription basis by a number of insurers comprising at least one Eligible ECI (and any insurer that is not participating in the Scheme which takes part in that subscription shall be a “**non-participating insurer**”, and the participation placement in which it takes part shall be a “**mixed participation placement**”), that provides insurance cover against the cancellation, abandonment, relocation or postponement of an Eligible Event other than in circumstances covered by the Insured Risk on ordinary and usual terms (the “**Eligible Policy Non-Scheme Element**”) and, in addition
- (b) provided by an Eligible ECI that provides insurance cover against Insured Risks in respect of the same Eligible Event (the “**Eligible Policy Scheme Element**”).

The Eligible Policy Non-Scheme Element in a mixed participation placement must be provided at least in part by an Eligible ECI.

An Eligible Policy may be a single policy, two or more linked policies provided by one or more Eligible ECIs (which may comprise any pre-existing event cancellation policies and a new policy with respect to Insured Risks provided by one or more Eligible ECIs, or two or more new policies provided by one or more Eligible ECIs), or an existing events cancellation insurance policy onto which cover for Insured Risks is endorsed, in each case including where the Eligible Policy Non-Scheme Element is written as a mixed participation placement.

To the extent an Eligible Policy is comprised of two or more linked policies, the terms of those policies, save as set out in the Scheme Rules, must be materially consistent.

Each Eligible ECI which has written cover (whether 100% or less than 100% but more than zero) for an Eligible Policy Non-Scheme Element must also offer cover for the linked Eligible Policy Scheme Element to the same insured. If such Eligible ECI is unable to offer such cover on the grounds that it would otherwise exceed its capacity limits, the insured may accept an equivalent offer of cover for that Eligible Policy Scheme Element from a limited number of other Eligible ECIs.

The period for which cover is provided under the Eligible Policy Scheme Element must be for a period no longer than the period for which cover is provided under the corresponding Eligible Policy Non-Scheme Element. To the extent an Eligible ECI (or any non-participating insurer in the case of a mixed participation placement) cancels cover under an Eligible Policy Non-Scheme Element, cover must also be cancelled under the corresponding Eligible Policy Scheme Element.

Each Eligible Policy is to be:

- (a) subject to UK Insurance Premium Tax in respect of the premium payable (such UK Insurance Premium Tax may be added to the account of the relevant events providers in addition to the premium of the Eligible Policy);
- (b) with respect to Insured Risks, in the form prescribed by DCMS and annexed to the Reinsurance Agreement; and
- (c) entered into (or, for policies entered into before the Scheme Launch Date which do not provide cover in respect of Insured Risks, amended to cover Insured Risks) on or after the Scheme Launch Date, but prior to the expiry of the Scheme Period.

Eligible ECIs will not be reinsured under the Scheme for policies:

- (a) covering only Insured Risks without there being a linked events cancellation policy for other standard risks provided by any Eligible ECI or under a mixed participation placement; or
- (b) for policies covering Insured Risks which have been entered into before the Scheme Launch Date or other than in accordance with the terms of the Scheme (including the Scheme Rules);
- (c) where the cover for Insured Risks is in relation to a longer period of time than the linked events cancellation policy for other standard risks provided by the same Eligible ECI or under the relevant mixed participation placement (with the exception that, whilst Eligible ECIs are encouraged to ensure that the standard risks policy covers costs incurred retroactively, it shall only be a requirement that the linked events cancellation policy for other standard risks covers costs incurred from the date of purchase of such policy); or
- (d) with respect to Eligible Events which are at any time scheduled to occur within any applicable Initial Period,

meaning that such policies shall not be 'Eligible Policies' for the purposes of the Scheme.

An "**Initial Period**" shall apply with respect to any Eligible Policy issued (whether by way of entry into one or more policies or by way of endorsement onto an existing policy) more than 12 weeks after the Scheme Launch Date, and such initial period shall be the period from (and including) the date such policy was issued to (and including) the date falling 56 days later.

Non-participating insurers shall not be reinsured under Scheme.

Further details relating to the Eligible Policy are set out in the schedule.

## 6. Eligible Events

An “**Eligible Event**” will be a Covered Event physically located in the UK and scheduled to take place within the period from and including the Scheme Launch Date to and including the Scheme End Date, as further defined in the relevant Eligible Policy.

If an Eligible Event which was originally scheduled to take place during the Scheme Period is postponed to a date after the Scheme End Date, it shall not cease to be an Eligible Event simply by virtue of such postponement.

A “**Covered Event**” is an event (other than an Excluded Event):

(a) of which advance notice is given to members of the public and/or which is generally available to members of the public to attend or participate in, and, if such event is (1) ticketed, (2) requires payment to attend or participate, or (3) is otherwise of limited capacity, then:

(i) it must still be possible for members of the public to obtain the right to attend or participate (as the case may be) when any such advance notice is given; and

(ii) the cost or conditions of attendance or participation must not be disproportionately more onerous for members of the public than for any other person. Any requirement:

(A) to join a supporters’ or members’ association or club which is generally open to members of the public without the need to be proposed as a member of such association or club by an existing member; or

(B) to fulfil objective and reasonable criteria,

in order to attend or participate in such event shall not, on its own, be ‘disproportionately more onerous’ for the purposes of this limb (ii); or

(b) which is either (i) advertised to; or (ii) attended by or participated in by, professionals of the same industry or related industries (whether or not advertised to or attended by members of the public) and which:

(A) will be for a bona fide business purpose; and/or

(B) will support or foster growth in local economies and/or supply chains.

An “**Excluded Event**” is an event:

(a) which is attended predominantly by people whose relationship or association:

(i) with the event organiser, sponsor, or host; or

(ii) with the majority of the other attendees of such event,

is primarily personal or social;

- (b) which is attended predominantly by people having a prior business or professional relationship or association, in each case by virtue of the majority of such attendees being employed by, or a shareholder of, the same company or corporate group, other than any annual general meeting of shareholders; or
- (c) which is of such a nature that it must reasonably be assumed to have been produced solely or principally for the purpose of sexual arousal.

For the purposes of an Eligible Policy, an “**event**” shall include both:

- (a) a single, or one-off, event; and
- (b) a limited series, or run, of linked events, provided that: (i) the Eligible Policy is purchased before the first event in the limited series or run; (ii) the event organiser shall specify which event dates from that limited series, or run, of linked events constitute events for the purposes of the relevant Eligible Policy (and allocate to each such specified event an amount of the total sum insured with respect to Insured Risks which can be claimed with respect to each such event (which amount must in aggregate not exceed the total sum insured under the Eligible Policy with respect to Insured Risks)); and (iii) only such linked events that are at the time of purchase of the Eligible Policy scheduled to occur after the end of any applicable Initial Period and before the Scheme End Date will be covered under the Scheme (even if those linked events do not constitute the full series or run). An event organiser may change the date of any future event which has been specified under limb (ii) above, provided that (A) such event has not yet taken place; (B) such change does not result in a change of event from the originally specified event; and (C) the originally specified event does not take place on the originally specified date.

For the purposes of determining any Losses, notwithstanding that an Eligible Policy may cover a series, or run, of linked events, Losses will be determined on an event by event basis.

## **7. Scheme Tiers**

If when an Eligible ECI writes new Eligible Policies the total sum insured in respect of all Eligible Policies written by the Eligible ECI is less than or equal to £100,000,000, those new policies are “**Tier 1 Eligible Policies**”.

If when the Eligible ECI writes new Eligible Policies the total sum insured in respect of all Eligible Policies previously written by the Eligible ECI is greater than £100,000,000 but less than or equal to £267,000,000, those new policies are “**Tier 2 Eligible Policies**”.

If when the Eligible ECI writes new Eligible Policies the total sum insured in respect of all Eligible Policies previously written by the Eligible ECI is greater than £267,000,000, those new policies are “**Tier 3 Eligible Policies**”.

Once an Eligible Policy is allocated to Tier 1, Tier 2 or Tier 3 it cannot be subsequently reallocated to another Tier. Tier capacity will be available on a rolling basis - by way of example if a new policy is written when it would otherwise be a Tier 2 Eligible Policy (a “**New Policy**”) but at the time of writing no claim has been made in respect of an event which has previously taken place under a Tier 1 Eligible Policy which has the same sum insured as the New Policy, that New Policy will be a Tier 1 Eligible Policy

## 8. Reinsurance

Each Eligible ECI's aggregate Eligible Losses in respect of Tier 1 Eligible Policies to be reinsured by HMG through the Scheme as a 95% quota share reinsurance.

Each Eligible ECI's aggregate Eligible Losses in respect of Tier 2 Eligible Policies to be reinsured by HMG through the Scheme as a 97% quota share reinsurance.

Each Eligible ECI's aggregate Eligible Losses in respect of Tier 3 Eligible Policies to be reinsured by HMG through the Scheme as a 100% quota share reinsurance.

Upon joining the Scheme, each Eligible ECI will be asked to provide a non-binding indication of the level of capacity it expects to provide under the Scheme (a "**Non-Binding Commitment**") where the total sum insured in respect of Insured Risks by the Eligible ECI shall not in any event exceed an amount to be specified by HMG (the "**Eligible ECI Cap**"). During the Scheme Period, each Eligible ECI will notify the Delivery Partner (as defined below) within 5 Business Days of becoming aware of the same if, applying usual actuarial principles, the level of cover that it wishes to write under the Scheme will exceed its Non-Binding Commitment. HMG reserves the right to review the right of such Eligible ECI to write additional cover under the Scheme upon receipt of such notification.

Capacity will be provided by the Eligible ECIs on a rolling basis.

## 9. Eligible Losses

"**Eligible Losses**" means payments that are made by an Eligible ECI on or after the Scheme Launch Date and prior to termination, where such payments are:

- (a) in relation to an Insured Risk; and
- (b) properly made by the Eligible ECI under an Eligible Policy in accordance with such Eligible Policy's terms as further described in Schedule 1 (following the expiry of any waiting periods and the undertaking of recovery steps required by the Eligible ECI acting reasonably and in good faith).

Eligible Losses will include any claims settlement and recovery expenses and costs reasonably incurred by the Eligible ECI which are properly allocated on a claim by claim basis, but will exclude all other costs and expenses and any ex gratia payments.

Cover under the Scheme is only available to the extent provided under the Eligible Policy. Ordinary and usual exclusions included in the Eligible Policies will apply, and in addition there will be further exclusions in relation to Insured Risks.

## 10. Insured Risks

Reinsurance under the Scheme shall be solely in relation to Insured Risks.

"**Insured Risks**" are Losses irrevocably incurred by an entity, partnership or sole trader (in each case, whether based in the United Kingdom or overseas) in connection with an Eligible Event:

- (a) which has been necessarily cancelled, abandoned, relocated or postponed as a sole direct result of the introduction of new, or the amendment of existing, UK Civil Authority Restrictions after the inception of the Eligible Policy; or
- (b) reasonably and necessarily paid solely and directly to avoid cancellation, abandonment, relocation or postponement of such Eligible Event following any new UK Civil Authority Restrictions or amendments to UK Civil Authority Restrictions after the inception of the Eligible Policy, in each case where:
  - (i) but for the payment of such costs and expenses it would have been illegal or in direct contravention of any UK Civil Authority Restrictions for such Eligible Event to take place; and
  - (ii) such additional Losses do not exceed the amount of Losses thereby avoided or diminished,

in each case where such cancellation, abandonment, relocation or postponement is beyond the control of the insured party.

**“Covid-19”** means the disease caused by SARS-CoV-2 (severe acute respiratory syndrome coronavirus 2) or any disease or illness caused by a mutation of SARS-CoV-2;

**“Losses”** means proven costs and expenses actually incurred or paid in preparing for the Eligible Event but excluding Excluded Losses.

To the extent not already covered by the customary requirements of the Eligible ECI:

- (a) an Eligible Policy shall include warranties from the insured at the time of purchase as to whether the Eligible Event is permitted to occur or capacity constrained;
- (b) an Eligible Policy shall contain a schedule of events including the date and location of the Eligible Event; and
- (c) the insured will be required to provide an event risk assessment.

The Scheme Rules will provide further detail on Losses in the context of each of cancellation, abandonment, relocation or postponement, which will be on the basis that Eligible Losses other than Excluded Losses will be covered up to the total sum insured, but loss of revenue will not be covered.

**“UK Civil Authority”** means the Government of the UK, the UK Parliament, the devolved governments of Scotland, Wales and Northern Ireland, the Scottish Parliament, the Welsh Parliament, the Northern Ireland Assembly, and any local government authority within any part of the UK; and

**“UK Civil Authority Restrictions”** means acts, regulations or directions made, or guidance issued by, a UK Civil Authority in response to Covid-19, which in each case:

- (a) is issued in writing and:

- (i) published on the official website of the relevant UK Civil Authority; or
  - (ii) made directly by the relevant UK Civil Authority to the relevant event organiser; and
- (b) has been produced in accordance with due and current process of the relevant UK Civil Authority and has been published by a person with due authorisation; and
- (c) imposes an absolute, unequivocal and unqualified obligation (rather than merely being a recommendation or requiring efforts to fulfil an obligation, or being subject to interpretation).

## 11. Exclusions

Ordinary and usual exclusions will apply to Eligible Policies. In addition to ordinary and usual exclusions, Excluded Loss will be excluded.

**“Excluded Loss”** means:

- (a) costs, charges, expenses and losses in relation to an Eligible Event if, at the time of purchasing the relevant Eligible Policy, UK Civil Authority Restrictions then announced or in force prohibit such Eligible Event from taking place at its scheduled time;
- (b) costs, charges, expenses and losses in relation to an Eligible Event from the date of its postponement if, at the time of postponing the relevant Eligible Event, UK Civil Authority Restrictions then announced or in force prohibit such Eligible Event from taking place at the time to which it is postponed;
- (c) if, at the time of purchasing the relevant Eligible Policy, the maximum attendance capacity of the Eligible Event is limited (whether as a result of any UK Civil Authority Restrictions then in force or as a result of any other constraints associated with the Eligible Event(s) such as venue capacity), costs, charges, expenses and losses in relation to an Eligible Event in excess of costs, charges, expenses and losses which could reasonably be expected to be incurred in the context of such maximum attendance capacity;
- (d) if, at the time of postponing an Eligible Event, the maximum attendance capacity of the Eligible Event at the time to which it is postponed is limited (whether as a result of any UK Civil Authority Restrictions then in force or as a result of any other constraints associated with the Eligible Event(s) such as venue capacity), costs, charges, expenses and losses in relation to an Eligible Event from the date of its postponement in excess of costs, charges, expenses and losses which could reasonably be expected to be incurred from the date of postponement in the context of such maximum attendance capacity;
- (e) costs, charges, expenses and losses in relation to an Eligible Event from:
  - (i) the date on which any UK Civil Authority Restrictions are announced which will prohibit such Eligible Event from taking place as planned, until
  - (ii) the date of postponement of such Eligible Event to a time when UK Civil Authority Restrictions then in force allow such Eligible Event to take place;

- (f) costs, charges expenses and losses directly or indirectly arising out of, contributed to by, relating to, or resulting from:
- (i) ticket refunds (whether or not pre-booked);
  - (ii) the non-appearance of any person or group(s) of persons;
  - (iii) event money;
  - (iv) any loss which is insured by or would, but for the existence of the Eligible Policy, be insured by any other insurance(s) except for any excess beyond the amount which would have been payable under such other insurance(s) had the Eligible Policy not been effected;
  - (v) any loss covered by a cross-economy government Covid-19 support scheme or a government grant covering costs and expenses (excluding (i) any government loan that must be repaid in due course; (ii) any grant from HMG not specific to a particular event or with respect to the costs of an event but applicable generally to the event sector or a segment thereof; and (iii) the Scheme);
  - (vi) any loss falling within the scope of any non-UK state backed or guaranteed support arrangements;
  - (vii) any cancellation, abandonment, relocation, postponement or curtailment attributable to the conduct of an authority which is not a UK Civil Authority; or
  - (viii) lost or foregone revenue or profit;
- (g) costs, charges, expenses and losses in relation to an Eligible Event in excess of costs, charges, expenses and losses which could reasonably be expected to be incurred in the context of any limit on the maximum attendance capacity of the Eligible Event (whether as a result of any UK Civil Authority Restrictions in force from time to time or as a result of any other constraints associated with the Eligible Event(s) such as venue capacity);
- (h) costs, charges expenses and losses directly or indirectly arising out of, contributed to by, relating to, or resulting from the cancellation, abandonment, relocation, postponement or curtailment of an Eligible Event where the primary reason for such cancellation, abandonment, relocation, postponement or curtailment is the announcement of any UK Civil Authority Regulations which result in the Eligible Event becoming unprofitable or uneconomic to hold;
- (i) costs, charges expenses and losses directly or indirectly arising out of, contributed to by, relating to, or resulting from the cancellation, abandonment, relocation or postponement of an Eligible Event due to UK Civil Authority Restrictions prohibiting the attendance of, or permitting only a reduced, audience, spectators, members of the public or similar;
- (j) loss directly or indirectly arising out of, contributed to by, or resulting from any communicable disease or threat or fear of communicable disease (whether actual or perceived) except as specifically provided by the Eligible Policy; or

- (k) loss directly or indirectly arising out of, contributed to by, or resulting from any action taken in controlling, preventing, suppressing or in any way relating to any communicable disease (including Covid-19) or fear or threat (whether actual or perceived) thereof, except as specifically provided by the Eligible Policy.

## **12. Scheme Premium**

Promptly upon entry into an Eligible Policy arising (whether by way of entry into one or more policies or by way of endorsement onto an existing policy), the relevant Eligible ECI will be obliged to pay HMG, by way of premium in pounds sterling, an amount equal to:

- (a) in respect of a Tier 1 Eligible Policy, 95% of the Base Premium;
- (b) in respect of a Tier 2 Eligible Policy, 97% of the Base Premium; and
- (c) in respect of a Tier 3 Eligible Policy, 100% of the Base Premium,

the “**Scheme Premium**”.

The “**Base Premium**” shall be an amount equal to 5% of the total sum insured with respect to Insured Risks expressed in pounds sterling for event cancellation risk, as to be reported in the Eligible ECI’s audited accounts or, in the case of a branch, the accounting information provided for the purposes of the audited accounts of the company of which the branch forms part.

The total sum insured for standard events cancellation cover must not be less than the total sum insured for Insured Risks. The total sum insured for Insured Risks must not be higher than the cost of the Eligible Event.

Scheme Premium may be paid as an up-front lump sum promptly upon entry into an Eligible Policy or in arrear on a monthly basis with adjustments made on Eligible Policies written, regardless of whether the Eligible Event consists of a single, or one-off event, or a limited series, or run, of linked events which may be spread over a longer period of time. Scheme Premium may not be paid in instalments.

In addition, there will be annual adjustment payments by or to HMG to take account of final Eligible Policies’ premium refunds and other rebates arising in respect of the Eligible Policies during the Scheme Period, if applicable.

The CEO and CFO of each Eligible ECI, or equivalents to be agreed individually with each Eligible ECI, will sign an attestation of the accuracy of each annual adjustment payment.

The Scheme Premium payment will be made in cash, subject to a discretion of DCMS to set off such amounts against amounts payable by HMG to the relevant Eligible ECI under the Scheme.

## **13. Excess**

Excess with respect to Insured Risks under each Eligible Policy will be set at the higher of (i) 5% of the total sum insured in respect of the Insured Risks under the Eligible Policy; and (ii) £1,000.

Excess need only be paid once under an Eligible Policy (rather than on a per-event or per-claim basis).

#### 14. Eligible ECI Conduct of Business

Each Eligible ECI will give undertakings in relation to the conduct of its business and the underwriting, management and administration of all Eligible Policies, until the end of the Scheme Period and in the case of (b), (d) and (f), below, until Commutation, including (but will not necessarily be limited to) undertakings from each Eligible ECI to:

- (a) comply with the underwriting and premium requirements set out in Section 15;
- (b) comply with the reporting and settlement requirements set out in Section 17;
- (c) comply with the claims handling requirements set out in Section 18; and
- (d) staff claims management teams appropriately in the circumstances and use reasonable endeavours to maintain average service levels achieved during the first calendar quarter of 2020,

and undertakings of each Eligible ECI not to, without the prior written consent of DCMS,

- (e) pay any bonus, variable remuneration or benefit to key staff/management team (to be agreed with each ECI and documented in each Reinsurance Agreement) ("**Senior Management**") directly resulting from writing cover with respect to Insured Risks under Eligible Policies;

and undertakings of each Eligible ECI not to, without prior written consent of DCMS, such consent not to be unreasonably withheld or delayed and to the extent consistent with the Eligible ECI's legal and regulatory obligations:

- (f) make any material changes at a portfolio level to claims payment or administrative practices, controls or systems relating to the Eligible Policies or otherwise make material change to the terms and conditions of any Eligible Policies once issued other than in compliance with law or regulation and/or in the ordinary course of business as measured against the first calendar quarter of 2020 (other than to add cover in relation to Insured Risks); or
- (g) make any material change to accounting practices or policies, other than changes required by IFRS or other applicable accounting standards.

Each Eligible ECI undertakes not to, without the prior written consent of DCMS, declare or pay any dividend or make any other distribution or return of value to shareholders based on the profits directly resulting from writing cover with respect to Insured Risks under Eligible Policies, whether such profits were made during the Scheme Period or otherwise.

While it is taking part in the Scheme (and has not opted out), each Eligible ECI undertakes not to, without the prior written consent of DCMS, write any cover with respect to the Insured Risks, or any cover that is materially similar to the cover written under the Scheme, other than under the Scheme.

An Eligible ECI may opt out of the Scheme on not less than 30 days' notice. The Scheme will continue to cover Eligible Policies written by that Eligible ECI under the Scheme prior to such opt out, and the Eligible ECI will be required to continue to comply with the terms of the Scheme in relation to such Eligible Policies notwithstanding such opt out.

An Eligible ECI will not be permitted to re-join the Scheme during the six months following such opt-out.

HMG's expectation is that Eligible ECIs will pay no brokerage in connection with the Scheme and no deductions for such brokerage will be made to the Scheme Premium paid by Eligible ECIs to DCMS.

## **15. Eligible ECI Underwriting and Premiums**

From the Scheme Launch Date until the end of the Scheme Period:

- (a) Eligible ECIs shall act in a way that reflects the objectives of the Scheme (and in particular, HMG's expectation is that Eligible ECIs shall continue offering cover for Insured Risks pursuant to the Scheme during the Scheme Period), and HMG's commitment, and underwrite Insured Risks with respect to Eligible Events accordingly but shall otherwise continue to act according to their existing underwriting practices in respect of events cancellation cover, noting that while an Eligible ECI is taking part in the Scheme: (i) the Insured Risks should not be covered other than as part of an Eligible Policy without DCMS's prior written consent; (ii) an Eligible ECI may not refuse to offer cover on the basis of the risk profile relating to Covid-19 of an Eligible Event; and (iii) it may not cancel cover under an Eligible Policy solely due to changing Covid-19 risk;
- (b) the terms of each Eligible Policy shall either be in the form of a model policy to be provided by DCMS, or otherwise consistent with the terms of the Scheme (in which case the Eligible ECI shall ensure that cover is provided in relation to Eligible Losses on terms approved by DCMS);
- (c) Eligible ECIs shall not charge any administration fees solely because an insured is adding cover for Insured Risks to an existing policy held with that Eligible ECI, or solely because an insured is entering into a new Eligible Policy (which therefore covers Insured Risks) (this shall not prevent Eligible ECIs charging the insured party fees in accordance with their practice in place prior to 3 August 2021, or charging the insured party administration fees etc. in relation to claims handling in, subject to Section 18); and
- (d) Eligible ECIs shall ensure that the premium, pricing, excess and other terms of any Eligible Policy (other than with respect to Insured Risks) are not changed solely as a result of the Scheme, and remain at levels not materially worse for customers than the practices in place prior to 3 August 2021, and shall not charge any premium in excess of the Base Premium with respect to Insured Risks.

## **16. Eligible ECI Warranties and Management Representation Letters**

Eligible ECIs will give warranties customary for an arrangement of this type, including but not limited to capacity, solvency, conduct of business and information accuracy.

Key members of Eligible ECI senior management team will additionally be required to sign market standard management representation letters.

## **17. Reporting and Settlement**

Eligible ECIs to provide information (consistent with commercial reinsurance arrangements and supplemented for the administration of a government scheme, including but not limited to information on any non-participating insurers where an Eligible ECI has written cover for an Eligible Policy Non-Scheme Element as part of a subscription placement by insurers that includes non-participating insurers) to DCMS or a third party administrator appointed by DCMS (the “**Delivery Partner**”) via standardised automated templates provided by the Delivery Partner to Eligible ECIs.

Eligible ECIs to provide reasonable access to personnel, books and records and other documents and, to the extent permitted, procure that its third party service providers provide reasonable access to their personnel, books and records and other documents which DCMS, or the Delivery Partner on behalf of DCMS, may reasonably request in connection with: (i) its review of the management information; (ii) to review the Eligible ECI's claims handling and administration process; (iii) to monitor an Eligible ECI's compliance with the transaction documents; or (iv) where required for onward reporting to regulatory or government bodies, including the Competition and Markets Authority.

## **18. Claims Handling and Administration**

Eligible ECIs to perform all claims handling responsibilities in respect of Eligible Policies and will perform such responsibilities with reasonable skill and care and in accordance with: (i) all applicable laws and regulation; (ii) requirements as to staffing claims management teams as set out in the Scheme Rules; (iii) the Eligible ECI's established procedures and practices (including with respect to policies which insure multiple events or a 'run' of events, in particular concerning the allocation of costs and losses between events insured under the same policy) that the individual Eligible ECI applied in the 12 months preceding the Scheme Launch Date (subject to reasonable adjustments, to be agreed with DCMS in advance, in response to material increases in claims levels); and (iv) good industry practice. Each Eligible ECI will notify the Delivery Partner of any claim for a single Eligible Loss over £1m within 5 business day of being notified of such claim.

## **19. Audit Rights**

Reciprocal rights to request information necessary for the performance of audit requirements. Eligible ECIs will provide access for a limited number of DCMS / Delivery Partner personnel to the Eligible ECI's claims-handling systems for monitoring and auditing purposes.

## **20. Dispute Mechanism**

Escalation to appropriately senior representatives. Failing agreement, determination by a jointly appointed independent expert (failing joint appointment, appointed be the President of the Institute of Actuaries).

## **21. Termination**

DCMS termination rights:

- (a) non-payment by the Eligible ECI which is not remedied within 5 days; or
- (b) on material or persistent breach by the Eligible ECI of the Scheme Rules.

Eligible ECI termination rights:

- (a) non-payment by DCMS which is not remedied within 5 days; or
- (b) on material or persistent breach by DCMS of the Scheme Rules.

Termination by mutual agreement will also be permitted.

## **22. Effect of Termination**

From termination, the relevant Eligible ECI may not benefit from the Scheme, and no new cover will be made available to that Eligible ECI under the Scheme.

Termination will not prejudice any right or action or remedy accrued up to the date of termination.

Termination will result in commutation, which will take into account all outstanding claims, recoveries and premiums (present and future).

## **23. Miscellaneous**

Publication of the Scheme Rules will be conditional on certain matters, including due diligence investigations into the Eligible ECIs.

Transfer of economic risk in respect of Insured Risks under Eligible Policies will be effective as at the Scheme Launch Date.

DCMS will work together with Eligible ECIs to ensure the Scheme constitutes an eligible risk mitigation technique for prudential solvency purposes.

Each Eligible ECI will bear its own costs and expenses.

The Scheme rules will contain standard confidentiality provisions

## **24. Governing Law and Jurisdiction**

The Scheme will be governed by English law. The courts of England and Wales will have exclusive jurisdiction.

**Schedule**  
**Terms of the Eligible Policy**

<b>A. Overview</b>	A standard events cancellation insurance policy, covering Eligible Events occurring during the period commencing on or after the date of announcement by HMG of the Scheme and ending on or before the Scheme End Date.
<b>B. Requirements of cover</b>	<p>Will only be available to insured parties who have:</p> <ul style="list-style-type: none"> <li>i. at that time paid in full all policy premia (in accordance with the terms of the policy) (and any additional premia with respect to Insured Risks);</li> <li>ii. satisfied all prequalifying questions;</li> <li>iii. consented to their personal data being used and audited; and</li> <li>iv. satisfied any other criteria set out in the Scheme Rules.</li> </ul> <p>An Eligible Policy must require that the insured party (a) acts as though uninsured (e.g. in relation to deciding whether to postpone or cancel an event); and (b) takes all commercially reasonable actions within its power to enable the Eligible Event to take place in (including but not limited to in a manner or format, or under certain restrictions or conditions, such that the Eligible Event is compliant with any UK Civil Authority Restrictions).</p>
<b>C. Risk covered</b>	<ul style="list-style-type: none"> <li>i. Standard events cancellation cover other than attributable to Covid-19</li> <li>ii. Insured Risks</li> </ul>
<b>D. Claims Conditions</b>	<p>The Eligible Insurer's claims conditions will apply to the Eligible Policy.</p> <p>In addition, the insured will be required to provide the details of funds, if any, received under any other cross-economy government Covid-19 support scheme or a government grant covering costs and expenses (but excluding any government loan that must be repaid in due course or any grant from HMG not specific to a particular event or with respect to the costs of an event, but applicable generally to the event sector or a segment thereof) (as specified in the Scheme Rules) and any other State's backed or guaranteed support arrangements; or to certify that it has not received any such funds.</p>
<b>E. Scheme Limits for Insured Risks</b>	Excess: The higher of (i) 5% of the total sum insured under the Eligible Policy; and (ii) £1,000