

Principles of Reinsurance Contract Law (PRICL)

Prof. Dr. *Helmut Heiss*, LL.M.
Attorney at Law, Zurich



PRICL: Why ?

Common Law

- Insurance contract law = reinsurance contract law
- Reinsurance-specific case law
- Different solutions in different jurisdictions (e.g. follow-the-settlements clauses; aggregation clauses)

Civil Law

- Insurance contract law acts ≠ applicable to reinsurance contracts
- General contract law rules applicable
- No reinsurance-specific rules
- Reference to vague reinsurance usages (if available)

Problem

- Reinsurance transactions = cross-border transactions
- Substantial legal uncertainty as to substance of applicable legal rules
→ industry demands uniform instrument

Solution

- Uniform soft law (PRICL)



PRICL: Who ?

Principles Drafting Committee

- Universities of Zurich, Frankfurt am Main & Vienna
- Representatives from Belgium, Brazil, France, Italy, Japan, Singapore, South Africa, UK, USA

Advisory Groups

- Reinsurers
- Direct Insurers
- Brokers

Special Advisors

- Unification of law
- Arbitration
- PIL/Mandatory Rules



PRICL: UNIDROIT

- Intergovernmental Organisation
- Unification of global commercial law (conventions & soft law)
- PICC 2016 (global commercial contract law, general part)
- PRICL part of the UNIDROIT Work Programme 2017 - 2019



PRICL: What ?

Soft law

- Only applicable if parties choose PRICL (Article 1.1.1 PRICL)
- No codification in international treaty
- No model law for national legislation

Arbitration

- Article 28 UNCITRAL Model Law
- PRICL as the applicable law

Litigation

- PRICL incorporated into contract

Structure

- Drafted like statutory rules
- Accompanied by comments and illustrations



PRICL: General Rules

Ch. 1: General Provisions

- Substantive scope of application
- External gaps
- Exclusion or modification of the PRICL
- Usages and practices
- Mandatory rules
- Interpretation and internal gaps
- Definitions of reinsurance terms

PRICL and PICC in particular

Article 1.1.2 PRICL:

"Issues not settled by the PRICL shall be settled in accordance with the UNIDROIT Principles of International Commercial Contracts ("PICC")."

PRICL: reinsurance-specific issues
PICC: issues of general contract law

} comprehensive set of reinsurance contract law rules



PRICL: Specific Rules

Ch. 2: The parties' duties

- Utmost good faith
- Pre-contractual disclosure duty
- Premium payment
- Payment of reinsurance claim
- Notice of changed circumstances / increased risk
- Right of inspection
- Notice of claims
- Claims handling duty
- Cooperation in claims handling duty
- Follow-the-settlements | Follow-the-fortunes

Ch. 3: Remedies

- Breach of contract
- Breach of pre-contractual disclosure duty

Ch. 4: Aggregation

- Event-based aggregation
- Cause-based aggregation

Ch. 5: Allocation

- Losses-occurring during
- Risk-attaching during
- Multiple contracts of reinsurance



PRICL: Future

Publication of PRICL

- Online open-access publication of PRICL 1st part in June 2019
- Online open-access publication + print publication of PRICL in 2022

Further development of the PRICL

- SNF | DFG will fund the project for 3 more years (until 2022)
- Development of further rules on the following issues:
 - Back-to-back cover
 - Extra-contractual liability
 - Reinsurance period
 - Prescription
 - Classes of reinsurance which may be governed by the PRICL

Cooperation PRICL - UNIDROIT

Integration of PRICL into UNIDROIT Work Programme 2020 – 2022
[to be decided in the course of 2019]

