

# **Summary of RRC Recommended Treaty Wordings**

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The Reinsurance Research Council  
Le Conseil de Recherche en Réassurance

**Summary of RRC Recommended Treaty Wordings**

In its first Technical Bulletin, The Reinsurance Research Council is pleased to offer a summary of the current, English language RRC recommended wordings issued over the years. Distribution and use of these wordings is encouraged.

It is emphasized that the wordings produced by RRC are recommendations only, and their use is at the discretion of RRC members.

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## **EXCESS OF POLICY LIMITS AND PUNITIVE DAMAGES (RRC October 1984)**

### **1. EXCESS OF POLICY LIMITS CLAUSE:**

This Agreement shall protect the Company, within the limits hereof, in connection with any loss for which the Company may be legally liable to pay in excess of the limit of its original policy, such loss in excess of the limit having been incurred because of: (a) a minimum statutory limit, or (b) failure by the Company to settle a claim within the policy limit, or (c) alleged or actual negligence in rejecting an offer for settlement, or (d) alleged or actual negligence in the preparation or conduct of the defence in any suit brought against an Insured or in the preparation or the conduct of any appeal regarding such suit.

The excess policy limits loss shall be calculated separately from the reinsured loss out of which it arises, and 1 00% of the excess policy limits loss shall be added to the Company's ultimate net loss calculation.

The date of the excess policy limits loss is deemed to be the date of the original loss that gave rise to the excess policy limits award.

### **2. Clause 1 above shall not apply:**

- (a) where the loss has been incurred due to the fraudulent act or omission of a member of the staff or of the board of directors of the Company or a corporate officer of the Company, acting individually or collectively or in collusion with any other person or persons.
- (b) where the loss arises under a policy or policies issued by the Company to itself, or from a policy or policies issued by the Company to other entities within the same corporate group or organization as the Company.

### **3. PUNITIVE DAMAGES CLAUSE**

This Agreement does not cover punitive damages awarded against the Company.

However,

- (a) punitive damages awarded against an Insured of the Company in favour of a third party which are recoverable under the terms of the policy issued by the Company to the Insured, or
- (b) punitive damages awarded directly against the Company in favour of such third party where such damages are covered under the terms of the policy issued by the Company to the Insured

shall be recoverable hereunder as part of the occurrence which gave rise directly or indirectly to the award.

“Punitive Damages” as used herein shall mean amounts specifically or generally classified or considered as punitive, penal, exemplary, vindictive or aggravated damages and the like and expenses and costs relating hereto.

- 4. Nothing contained in Clauses 1 and 3 above shall increase the Reinsurer's limit of liability contained in Article (insert).

**NUCLEAR INCIDENT EXCLUSION CLAUSE**  
**PHYSICAL DAMAGE - REINSURANCE – CANADA (RRC February 1993)**

1. This Agreement does not cover any loss or liability accruing to the Company directly or indirectly, and whether as Insurer or Reinsurer, from any Pool of Insurers or Reinsurers formed for the purpose of covering Atomic or Nuclear Energy risks.
2. Without in any way restricting the operation of paragraph 1 of this clause, this Agreement does not cover any loss or liability accruing to the Company, directly or indirectly, and whether as Insurer or Reinsurer, from any insurance against Physical Damage (including business interruption or consequential loss arising out of such Physical Damage) to:
  - (a) nuclear reactor power plants including all auxiliary property on the site, or
  - (b) any other nuclear reactor installation, including laboratories handling radioactive materials in connection with reactor installations, and critical facilities as such, or
  - (c) installations for fabricating complete fuel elements or for processing substantial quantities of prescribed substances, and for reprocessing, salvaging, chemically separating, storing or disposing of spent nuclear fuel or waste materials, or
  - (d) installations other than those listed in (c) above using substantial quantities of radioactive isotopes or other products of nuclear fission.
3. Without in any way restricting the operation of paragraphs 1 and 2 of this clause, this Agreement does not cover any loss or liability by radioactive contaminating accruing to the Company, directly or indirectly, and whether as Insurer or Reinsurer, from any insurance on property which is on the same site as a nuclear reactor power plant or other nuclear installation and which normally would be insured therewith, except that this paragraph 3 shall not operate:
  - (a) where the Company does not have knowledge of such nuclear reactor power plant or nuclear installation, or
  - (b) where the said insurance contains a provision excluding coverage for damage to property caused by or resulting from radioactive contamination, however caused.
4. Without in any way restricting the operation of paragraphs 1, 2 and 3 of this clause, this Agreement does not cover any loss or liability by radioactive contamination accruing to the Company, directly or indirectly, and whether as Insurer or Reinsurer, when such radioactive contamination is a named hazard specifically insured against.
5. This clause shall not extend to risks using radioactive isotopes in any form where the nuclear exposure is not considered by the Company to be the primary hazard.
6. The term 'prescribed substances' shall have the meaning given to it by the Atomic Energy Control act R.S.C. 1985 (c), A-1 6 or by any law amendatory thereof.

7. Company to be sole judge of what constitutes:
  - (a) substantial quantities, and
  - (b) the extent of installation, plant or site.
  
8. Without in any way restricting the operation of paragraphs 1, 2, 3 and 4 of this clause, this Agreement does not cover any loss or liability accruing to the Company, directly or indirectly, and whether as Insurer or Reinsurer caused:
  - (a) by any nuclear incident as defined in the Nuclear Liability Act or any other nuclear liability act, law or statute, or any law amendatory thereof or nuclear explosion, except for ensuing loss or damage which results directly from fire, lightning or explosion of natural, coal or manufactured gas;
  - (b) by contamination by radio-active material.

**NOTE:** Without in any way restricting the operation of paragraphs 1, 2, 3 and 4 of this clause, paragraph 8 of this clause shall only apply to all original contracts of the Company whether new, renewal or replacement which become effective on or after December 31, 1992.

RRC February 1993

***Notes to Accompany the Revised Nuclear Incident Exclusions Clause - Physical Damage***

The revised clause comes about as a result of legal requirements whereby the peril of fire cannot be excluded from a fire insurance policy. As a result, fire following a Nuclear incident is now included in both primary policies and reinsurance contracts. In fact this was the situation before the previous Nuclear Exclusion Clause was promulgated and puts Canada in line with the practice in the USA.

**NUCLEAR INCIDENT EXCLUSION CLAUSE  
LIABILITY - REINSURANCE – CANADA (RRC November 1989)**

1. This Agreement does not cover any loss or liability accruing to the Company as a member of, or subscriber to, any association of insurers or reinsurers formed for the purpose of covering nuclear energy risks or as a direct or indirect reinsurer of any such member, subscriber or association.
2. Without in any way restricting the operation of paragraph 1 of this clause it is agreed that for all purposes of this Agreement all the original liability contracts of the Company, whether new, renewal or replacement, of the following classes, namely,  
Personal liability  
Farmers liability  
Storekeepers liability  
which become effective on or after 31st December 1984, shall be deemed to include, from their inception dates and thereafter, the following provision:

**Limited Exclusion Provision**

This policy does not apply to bodily injury or property damage with respect to which the Insured is also insured under a contract of nuclear energy liability insurance (whether the Insured in unnamed in such contract and whether or not it is legally enforceable by the Insured) issued by the Nuclear Insurance Association of Canada or any other group or pool of insurers or would be an Insured under any such policy but for its termination upon exhaustion of its limits of liability.

With respect to property, loss of use of such property shall be deemed to be property damage.

3. Without in any way restricting the operation of paragraph 1 of this clause it is agreed that for all purposes of this Agreement all the original liability contracts of the Company, whether new, renewal or replacement, of any class whatsoever (other than Personal Liability, Farmers Liability, Storekeepers Liability or Automobile Liability contracts), which become effective on or after 31 st December 1984, shall be deemed to include from their inception dates and thereafter, the following provision:

**Broad Exclusion Provision**

It is agreed that this Policy does not apply:

- (a) to liability imposed by or arising from any nuclear liability act, law or statute, or any law amendatory thereof; nor
- (b) to bodily injury or property damage with respect to which an Insured under this policy is also insured under a contract of nuclear energy liability insurance (whether the Insured is unnamed in such contract and whether or not it is legally enforceable by the Insured) issued by the Nuclear Insurance Association of Canada or any other insurer or group or pool of insurers or would be an Insured under any such policy but for its termination upon exhaustion of its limit of liability; nor

- (c) to bodily injury or property damage resulting directly or indirectly from the nuclear energy hazard arising from:
  - (i) the ownership, maintenance, operation or use of a nuclear facility by or on behalf of an Insured;
  - (ii) the furnishing by an Insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any nuclear facility; and
  - (iii) the possession, consumption, use, handling, disposal or transportation of fissionable substances, or of other radioactive material (except radioactive isotopes, away from a nuclear facility, which have reached the final stage of fabrication so as to be usable for any scientific, medical, agricultural, commercial or industrial purpose) used, distributed, handled or sold by an Insured.

### **As used in this Policy:**

1. The term “nuclear energy hazard” means the radioactive, toxic, explosive, or other hazardous properties of radioactive material;
2. The term ‘radioactive material’ means uranium, thorium, plutonium, neptunium, their respective derivatives and compounds, radioactive isotopes of any elements and other substances which may be designated by any nuclear liability act, law or statute, or any law amendatory thereof, as being prescribed substances capable of releasing atomic energy, or as being requisite for the production, use or application of atomic energy;
3. The term “nuclear facility” means:
  - (a) any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of plutonium, thorium and uranium or any one or more of them;
  - (b) any equipment or device designed or used for (i) separating the isotopes of plutonium, thorium and uranium or any one or more of them, (ii) processing or utilizing spent fuel, or (iii) handling, processing or packaging waste;
  - (c) any equipment or device used for the processing fabricating or alloying of plutonium, thorium or uranium enriched in the isotope uranium 233 or in the isotope uranium 235, or any one or more of them if at any time the total amount of such material in the custody of the Insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235;
  - (c) any structure, basin, excavation, premises or place prepared or used for the storage or disposal of waste radioactive material;

and includes the site on which any of the foregoing is located, together with all operations conducted thereon and all premises used for such operations.
4. The term “fissionable substance” means any prescribed substance that is, or from which can be obtained, a substance capable of releasing atomic energy by nuclear fission.
5. With respect to property, loss of use of such property shall be deemed to be property damage.

**POLLUTION EXCLUSION APPLYING  
TO BUSINESS CLASSIFIED AS COMMERCIAL PROPERTY (RRC March 1996)**

The following exclusion applies to all new, renewal or replacement policies which become effective on or after January 1st, 1987.

“Renewal policies” as used above shall also mean the next anniversary date on or after January 1 st, 1987 in respect of policies issued for a period of more than one year.

This Agreement does not cover any loss or damage, whether direct or indirect, nor any clean up cost incurred resulting from any spill, discharge or seepage of a pollutant/contaminant.

This exclusion does not apply to loss or damage to the property insured caused by an insured peril or to expenses covered under the following Debris Removal Clause.

“Debris Removal:

The Insurer will indemnify the Insured for expenses incurred in the removal from the Insured’s premises of debris of the property insured, occasioned by loss or damage to such property, for which loss or damage insurance is afforded under this Form.

The Insurer will indemnify the Insured for expenses incurred in the removal of debris or other property which is not insured by this Form but which has been blown by windstorm upon a location specified on the ‘Declarations Page’.

Debris removal expense shall not be considered in the determination of actual cash value for the purpose of applying the Co-insurance Clause.”

It is warranted that “pollution” or “contamination” shall not be included as a peril insured under any policy issued by the Company.

RRC March 1986

**POLLUTION EXCLUSION APPLYING TO BUSINESS CLASSIFIED  
AS COMMERCIAL AUTOMOBILE (RRC March 1986)**

The following exclusion applies to all new, renewal or replacement policies which become effective on or after January 1st, 1986.

“Renewal policies” as used above shall also mean the next anniversary date on or after January 1 st, 1986 in respect of policies issued for a period of more than one year.

This Agreement does not cover any liability arising from vehicles known by the Company to be used for the transportation of:

- (a) Hazardous chemicals including but not limited to acids, alkalis, gases, oils, pesticides, herbicides and polychlorinated biphenyls (P.C.B.'s).
- (b) Petroleum products including but not limited to gasoline, oils and liquid petroleum gas (L.P.G)
- (c) Industrial or other wastes
- (d) Other dangerous substances referred to in the Transportation of Dangerous Goods Act.

The above exclusion does not apply to the following:

1. Petroleum tankers or trailers owned and/or operated by Contractors for the sole purpose of refueling their construction machinery.
2. Tar tankers or trailers owned and/or operated by Contractors
3. Vehicles operated by fuel dealers in rural areas (not exceeding three tanker vehicles)
4. Vehicles operated by farmers for transporting herbicides, pesticides, fertilizers, gasoline or oil for their own use.
5. Wholesale or retail delivery of packaged goods that are harmful through inhalation of their vapours, by skin contact or ingestion.

RRC March 1986

## **POLLUTION EXCLUSION APPLIED TO BUSINESS CLASSIFIED AS GENERAL LIABILITY (OTHER THAN PERSONAL LIABILITY) (RRC March 1990)**

The following exclusion applies to all new, renewal or replacement policies which become effective on or after \_\_\_\_\_ 19\_\_.

“Renewal policies” as used above shall also mean the next anniversary date on or after \_\_\_\_\_ 19\_\_ in respect of policies issued for a period of more than one year.

### **Pollutant/Environmental Liability Exclusion Clause**

This Agreement does not cover any liability for:

- A.** Bodily injury or property damage arising out of the actual, alleged or threatened discharge, dispersal, release or escape pollutants:
1. At or from premises owned, rented or occupied by an Insured;
  2. At or from any site or location used by or for an Insured or others for the handling, storage, disposal, processing or treatment of waste;
  3. Which are at any time transported, handled, stored, treated, disposed of, or processed as waste by or for an Insured or any person or organization for whom the insured may be legally responsible; or
  4. At or from any site or location on which an Insured or any contractors or subcontractors working directly or indirectly on behalf of an Insured are performing operations:
    - (a) if the pollutants are brought on or to the site or location in connection with such operations; or
    - (b) if the operations are to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize the pollutants.

Sub-paragraphs 1 and 4 (a) of paragraph A. of this exclusion do not apply to “bodily injury” or “property damage” caused by:

- (i) heat, smoke, or fumes from a hostile fire. As used in this exclusion, a hostile fire’ means one which becomes uncontrollable or breaks out from where it was intended to be.
- (ii) an unexpected or unintentional discharge, dispersal, release or escape of pollutants provided such discharge, dispersal, release or escape of pollutants:
  - (a) results in the injurious presence of pollutants in or upon land, the atmosphere, drainage or sewage system, watercourse or body of water; and
  - (b) is detected within 120 hours after the commencement of the discharge, dispersal, release or escape; and

- (c) is reported to the Insurer within 120 hours of being detected; and
- (d) does not occur in a quantity or with a quality that is routine or usual to the business of the insured.

**B.** Any loss, cost or expense arising out of any governmental direction or request that an Insured test for, monitor, clear up, remove, contain, treat, detoxify or neutralize pollutants.

**C.** Fines, penalties, punitive or exemplary damages arising directly or indirectly out of the discharge, dispersal, release or escape of any pollutants.

'Pollutants' means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapour, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

RRC March 1990

## **ERRORS AND OMISSIONS CLAUSE (RRC August 1987)**

Any inadvertent delay, omission or error in fulfilling the contractual obligations of either party to this Agreement shall not relieve either party hereto from any liability which would attach to it hereunder if such delay, omission or error had not been made, provided such delay, omission or error is rectified immediately upon discovery.

This Article shall not override the provisions of any of the following articles if they are contained in this Agreement: Risks Inadvertently Insured Clause, Exclusions, Sunset Clause; nor shall it increase the liability which the Reinsurer would have had under this Agreement if such delay, omission or error had not occurred.

This Article shall in no way affect the period of coverage provided by this Agreement, nor shall it apply to any cancellation or termination clause in this Agreement.

RRC August 1987

## **RISKS INADVERTENTLY INSURED CLAUSE (RRC August 1992)**

1. It is agreed that in the event a risk excluded from this Agreement by the list of exclusions is inadvertently insured by the Company as a result of either:
  - (a) the Insured extending its operations without the Company having been advised, or (b) (b) the acquisition by the Insured of another company whose operations are excluded,  
the protection provided by this Agreement shall nevertheless apply to such risk until the moment the existence of such risk is discovered by or advised to the Company and thereafter for an additional period of thirty (30) days.
2. During this additional period of thirty (30) days immediately following discovery by or advice to the Company of the Inadvertently insured risk the company may forward to the Reinsurer complete information relating to the risk. Upon receipt of such information the Reinsurer shall decide whether or not the risk can continue to be covered by the Agreement and so advise the Company immediately in writing.
3. This section of the Agreement is not intended, under any circumstances, to cover underwriting errors or omissions made by the Company nor to bring into the scope of this Agreement classes of insurance which otherwise are excluded.

RRC August 1992

### **Notes to Accompany Risks Inadvertently Insured Clause**

The original intention of this clause was to cover a risk which was acceptable under the treaty but then extended its operation, without the ceding company's knowledge, to the extent that it became an excluded risk. Alternatively it would provide some measure of protection for a ceding company whose agent wrote a type of risk which was excluded under the agency agreement. With the advent of direct writers and tied-agency companies and the extension of binding authorities to cover a certain amount of small and now not-so-small) commercial business, it became necessary to rewrite the then-existing clause with a tighter version. In the RRC version there are two important elements: it specifically excludes underwriting errors or omissions made by the company and does not bring in classes of insurance - as opposed to individual risks- which are excluded.

## **SELF INSURED OBLIGATIONS CLAUSE (RRC August 1987)**

A policy issued by the Company wherein the Company is named as the insured either alone or jointly with another party shall, subject to the other terms and conditions of this Agreement, be deemed to be a Policy coming within the scope of this Agreement, notwithstanding that no legal liability may arise in respect thereof by reason of the fact that the Company is the insured or one of the insureds.

Any such Policy shall have been issued prior to loss on the same form and at the same premium as if the insured and the Company were dealing at arm's length and claims, if any, under such Policy shall be settled strictly in accordance with the Policy conditions.

It is further agreed and understood that the provisions of any 'Risks Inadvertently Insured' clause contained in this Agreement shall not apply to such policies.

RRC August 1987

### **Notes to Accompany Self-insured Obligation Clause**

The original intent of this clause was to enable a company to issue a policy in which it insures itself. Under normal circumstances, of course, there is no legal liability attaching on a policy of this nature. Nevertheless, it was recognized that a company might wish to insure its own building or property and therefore a clause was drawn up to cover policies of this type.

Gradually, however, the clause was extended so that it ultimately came to cover not only those exposures for which the company had issued a policy to itself but also to cover retained deductibles, underinsurances and absences of insurance to the extent that it read like an umbrella coverage for the ceding company.

It is not the intention of the reinsurers to provide protection where the ceding company has failed to purchase sufficient insurance to cover its exposures nor to act as an umbrella insurer to ceding companies. The recommended clause does away with extraneous coverages which have crept in and provides the coverage that was originally intended.

## **SALVAGE AND RECOVERIES CLAUSE (RRC August 1987)**

All salvage, recoveries and payments recovered or received subsequent to a loss settlement under this Agreement shall be applied as if recovered or received prior to the said settlement and all necessary adjustments shall be made by the parties thereto.

Where loss recoveries are made by the Cedant and the amount recovered is greater than the total original payment by reason of interest or otherwise, then the amounts in excess of the total original payment shall be distributed proportionate to each party's share of the total original payment.

RRC August 1987

## CLAIMS REPORTING CLAUSE (RRC August 1990)

1. The Company shall give immediate notice to the Reinsurer of any occurrence which may give rise to a claim:
  - (a) Where the expected total value of the loss or losses combined, irrespective of any apportionment of negligence, exceeds \_\_\_\_\_ percent ( ) of the retention of this Agreement;
  - (b) Where the applicable policy limit exceeds \_\_\_\_\_ percent ( ) of the retention under this agreement and the occurrence involves serious bodily injury including, but not limited to:
    - (i) Fatal injuries with surviving dependents of deceased
    - (ii) Brain injuries
    - (iii) Paraplegia or quadriplegia
    - (iv) Any other major permanent disability

These serious injuries shall be reported when incurred by either an Insured person, a Third party, or both regardless of the company's assessment of liability.

RRC August 1990

### Notes to Accompany Claims Reporting Clause

There are two changes to this clause which, in Its earlier version, received general market acceptance

1. There is no longer a fixed percentage above which claims must be notified (previously 50%). This gives greater flexibility.
2. The reporting requirement for fatalities has been amended to restrict reporting to fatalities where there are surviving dependents. This should eliminate the numerous excess reports of infant fatalities which had to be made under the old clause.

## **INSOLVENCY CLAUSE (RRC August 1991)**

In the event of the insolvency of the Company, recoveries under this Agreement shall be payable by the Reinsurer directly to the Company, or to its liquidator, receiver, or statutory successor, on the basis of the liability of the Company under the policy or policies reinsured without diminution because of the insolvency of the Company.

The Company, or its liquidator, receiver or statutory successor, shall give written notice to the Reinsurer of all reported claims against the Company on any policy reinsured which might affect this Agreement within a reasonable time after such claim is filed in the insolvency proceedings. The Reinsurer may investigate and/or defend any such claim in the place of the Company. The expense thus incurred by the Reinsurer shall be chargeable, subject to the approval of the court, against the Company as part of the expense of liquidation to the extent of the proportionate share of the benefit which may accrue to the Company solely as a result of the defence undertaken by the Reinsurer.

Where two or more Reinsurers are involved in the same claim and a majority interest elect to interpose defence to such a claim the expense shall be apportioned in accordance with the terms of this Agreement as though such expense had been incurred by the Company.

In the event of the insolvency of any party hereto, the Company or the Reinsurer may offset any balances, whether with respect to premiums, commissions, losses, loss expenses, salvages or any other amount, due from one party to other under this Agreement or any other reinsurance agreement heretofore or hereafter entered into between the Company and the Reinsurer.

RRC 1991

## **PRESENT VALUE CLAUSE (RRC June 1990)**

With respect to First Party Accident Benefits, the value of the loss for the purpose of this Agreement shall be the sum of:

- (a) the actuarial present value as agreed between the Company and the Reinsurer; and
- (b) amounts paid by the Company prior to the establishment of the actuarial present value.

The actuarial present value shall be established, or shall be deemed to have been established, no later than 39 months following the date of loss.

RRC June 1990

### **Notes to Accompany Present Value Clause**

This clause is designed to be added as the final paragraph to the ultimate net loss clause of an excess wording.

- (i) The clause applies to First Party Accident Benefits and no reference is made to Ontario or to the OMPP.
- (ii) The clause has been made simple yet specific in order to encourage and facilitate its acceptance.
- (iii) The 39 month time limit is based on the three years set by the OMPP to determine continuing disability plus three months to secure Cedant/Reinsurer agreement. The 39 months are measured from 'date of loss' and not 'date of first payment.' This item is subject to negotiation and time limits up to 84 months have been agreed.
- (iv) Should a claim be reported after many years, the present value is 'deemed to have been established' at 39 months. This is a y= important phrase, intended to avoid losses that exceed the treaty retention simply because of their late reporting.
- (v) "Actuarial present value" forms the basis of agreement, but no further explanation is given. The calculation of present value will undoubtedly require the cooperation of cedant and reinsurers. The mechanics of this process are not addressed by the proposed clause as they will be the subject to discussions between the individual cedants and reinsurers. We believe that agreement can be reached for a number of reasons:
  - (a) Too large a value can be contested
  - (b) A value only 'somewhat' too high will be repaid as the treaty's rate is requested each year
  - (c) A pattern of values and rates of interest will emerge as the number of claim settlements grow
  - (d) If an annuity is purchased, then Ultimate Net Loss is clearly established.

- (vi) Reinsurers should also be aware of the possibility of accumulated interest on late reported claims and be prepared to deal with that eventuality.

### **OCCURRENCE LIMIT CLAUSE (RRC November 1993)**

For each loss occurrence during the term of this Agreement, in respect of:

- earthquake, tsunami and fire directly occasioned by earthquake
- windstorm, tornado, hurricane, cyclone including accompanying hail, and ensuing collapse and water damage,

the maximum sum recoverable under the Agreement shall be limited to \$.....

The term "Loss Occurrence" shall mean the sum of all individual losses directly occasioned by the perils specified in this clause arising out of one event.

The maximum sum recoverable limit under this clause shall not apply should the company elect to recover under this Agreement for damage to only one risk arising from a loss occurrence.

RRC November 1993

### **Notes to Accompany Occurrence Limit Clause**

1. The occurrence limit clause for property proportional treaties was created to reduce the possibility of reinsurers suffering severe financial impairment or failure resulting from a loss occurrence due to the massive aggregation of exposures.
2. RRC cautions its members that this clause must tie in with the actual contract language.
3. No hours clause is contained within the clause because it is intended that a single limit apply to any one loss occurrence, with no reinstatements.