

A!

Aalto University
School of Science

Contract framing and its impact on relationships

IACCM Meeting, Espoo, 15.06.2016

LEX



Stefania Passera

Hello!



- > Freelance information designer & researcher
- > MA Graphic Design
- > PhD Candidate in Organisational Behavior
and Knowledge Management
- > “How can we make contracts more
user-friendly through **information design?**”

Contracts: assumptions

- ... Just something you have to have
- ... At odds with relationships
(documents are documents, people are people)
- ... Contract readers are fully rational actors

Contracts: what they could be

Just something you have to have

> **A valuable customer touchpoint**

At odds with relationships
(documents are documents,
people are people)

> **Can be used to foster a good relationship,
to communicate clearly, to signal commitment**

Contract readers are fully rational actors

> **Contract readers are humans with normal
cognitive and attention limitations,
indivisible from their emotions,
and less rational than you think**

Framing

The way in which you present information to an audience will have an impact on how they make sense of that information.

Framing: example

There is a disease outbreak, and it is likely to kill 600 people.

Two programs of actions have been proposed:

PROGRAM A

Allows 200 people to be surely saved

PROGRAM B

Has a 1/3 probability that all 600 people are saved
and a 2/3 probability that none of the 600 people are saved.

Which one do you choose?

Tversky & Kahneman, 1987

Framing: example

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Which one do you choose?

**Most people
choose A**

Tversky & Kahneman, 1987

Framing: example

There is a disease outbreak, and it is likely to kill 600 people.

Two programs of actions have been proposed:

PROGRAM A

400 people surely die

PROGRAM B

**Has a 1/3 probability that nobody dies
and a 2/3 probability that everyone dies.**

Which one do you choose?

Tversky & Kahneman, 1987

Framing: example

There is a disease outbreak, and it is likely to kill 600 people.

Two programs of actions have been proposed:

PROGRAM A

400 people surely die

PROGRAM B

Has a 1/3 probability that nobody dies
and a 2/3 probability that everyone die.

Which one do you choose?

**Most people
choose B**

Tversky & Kahneman, 1987

Framing in contracts: example

A buyer wants protection from a possibly risky supplier.

Weber et al, 2011

Framing in contracts: example

A buyer wants protection from a possibly risky supplier.

Early termination

Extension option

Weber et al, 2011

Framing in contracts: example

A buyer wants protection from a possibly risky supplier.

Early termination

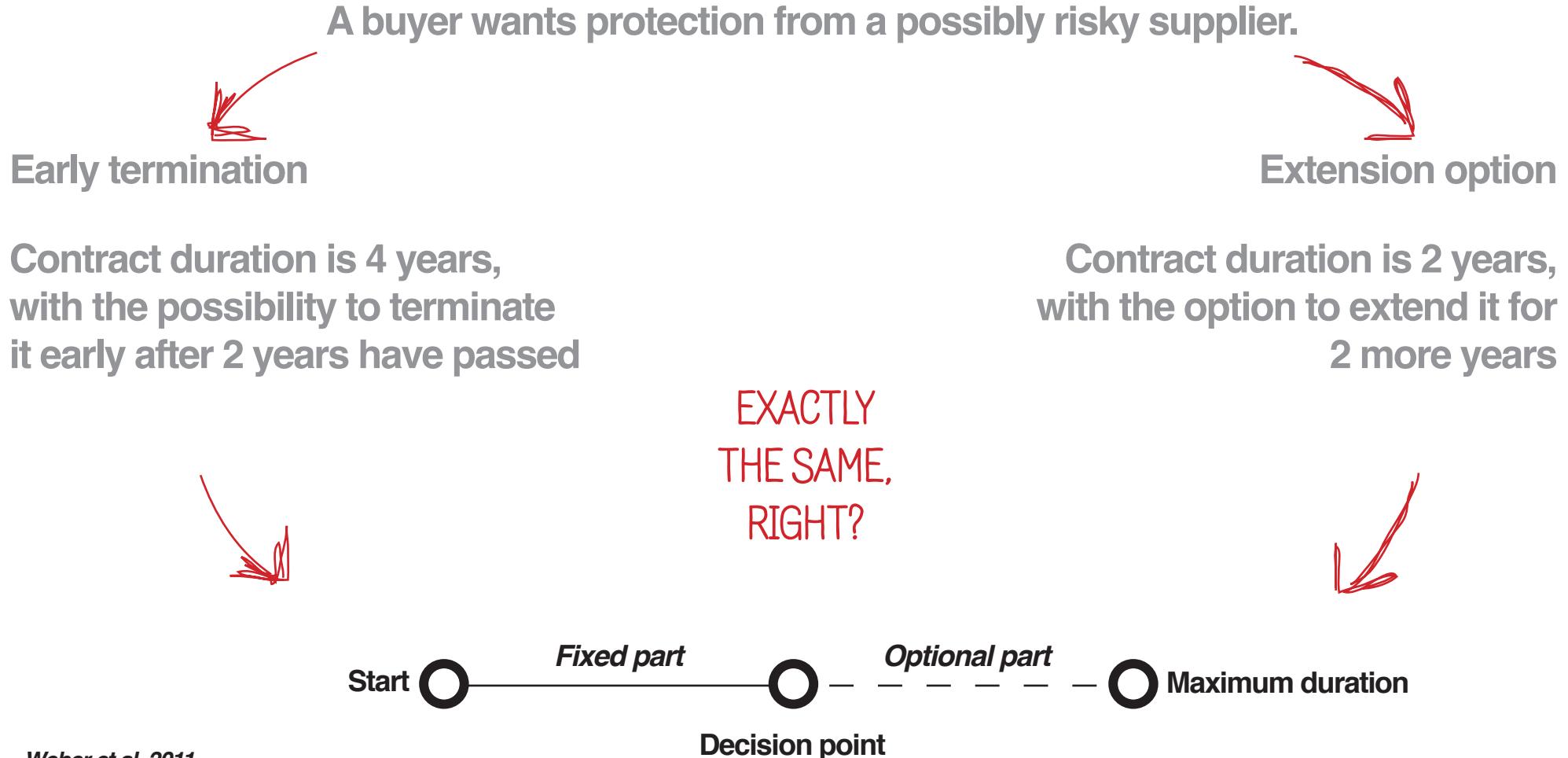
Contract duration is 4 years,
with the possibility to terminate
it early after 2 years have passed

Extension option

Contract duration is 2 years,
with the option to extend it for
2 more years

Weber et al, 2011

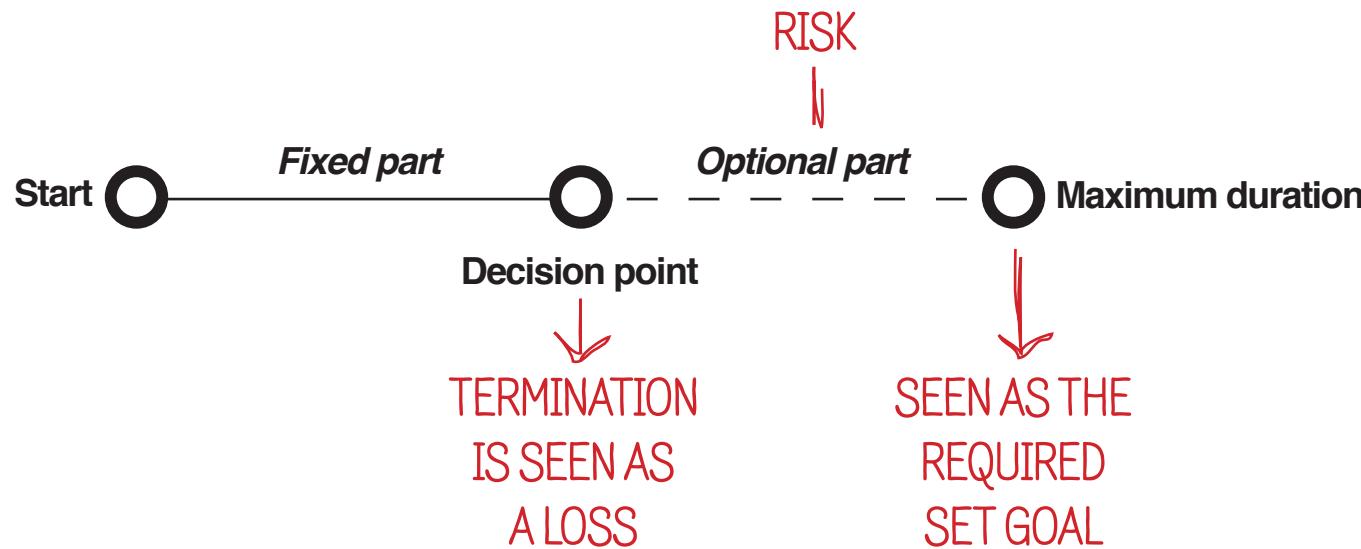
Framing in contracts: example



Nope!

What happens?

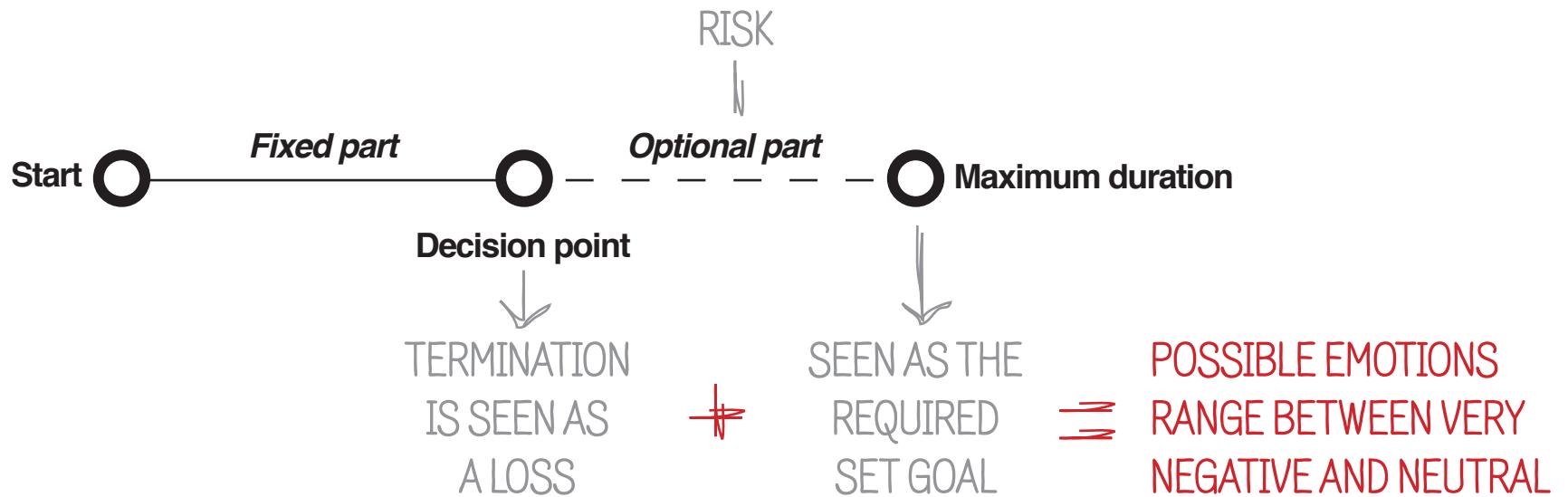
Early termination triggers a preventive frame



Based on Weber et al, 2011

What happens?

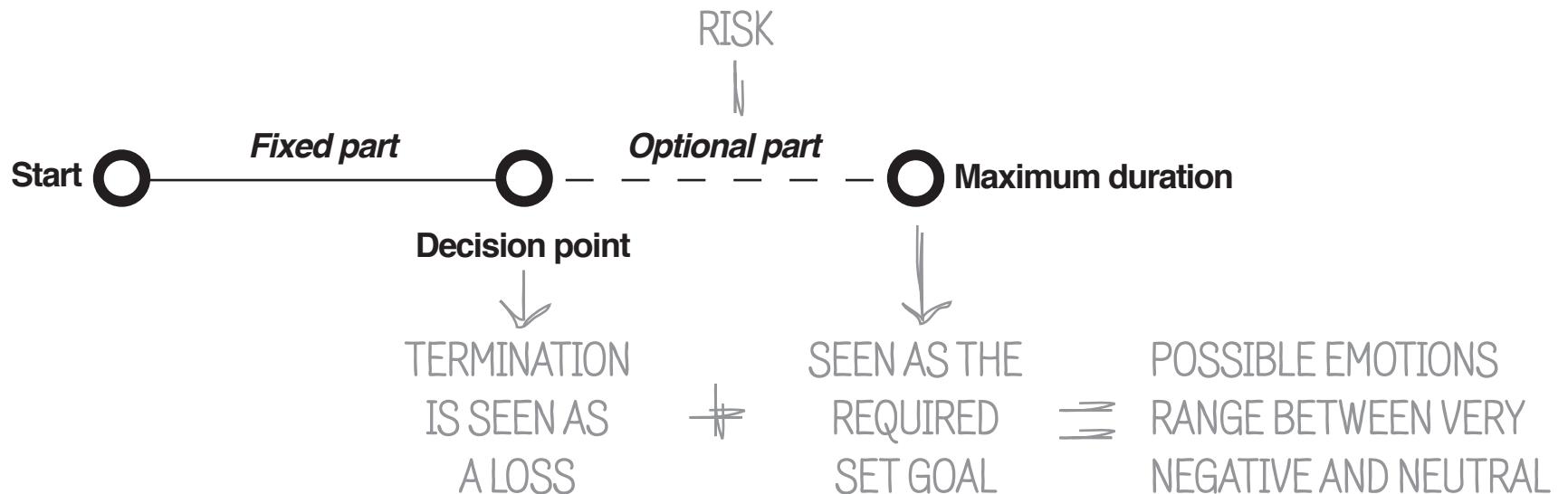
Early termination triggers a preventive frame



Based on Weber et al, 2011

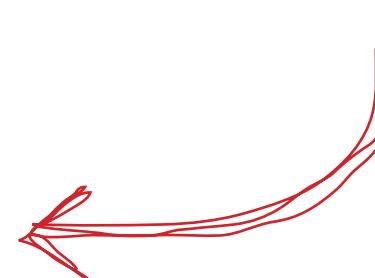
What happens?

Early termination triggers a preventive frame



BEHAVIORAL RESULT:

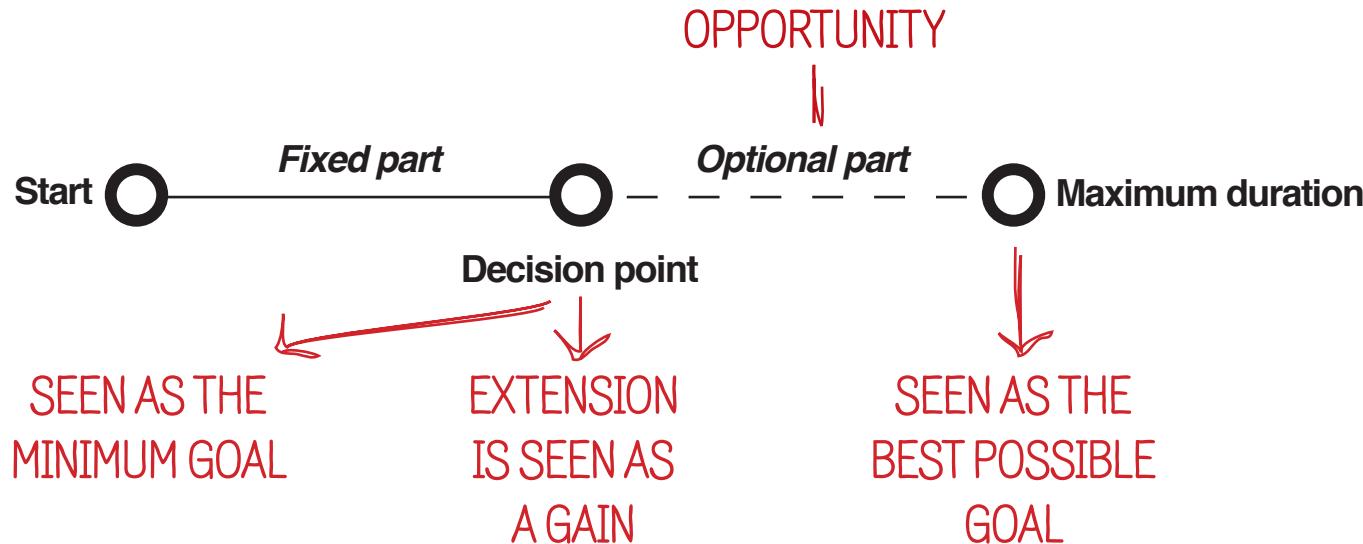
- HIGH VIGILANCE
- FOCUS ON RISKS
- ARM'S LENGTH RELATIONSHIP



Based on Weber et al, 2011

What happens?

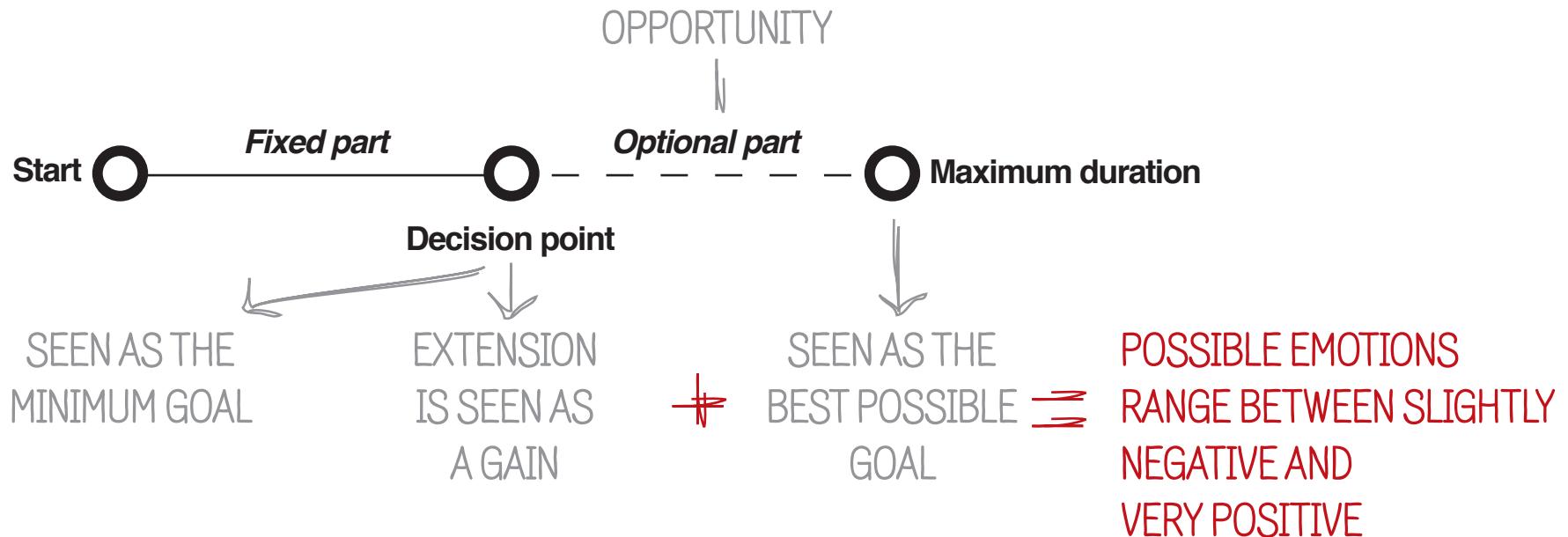
Extension option triggers a **promotive frame**



Based on Weber et al, 2011

What happens?

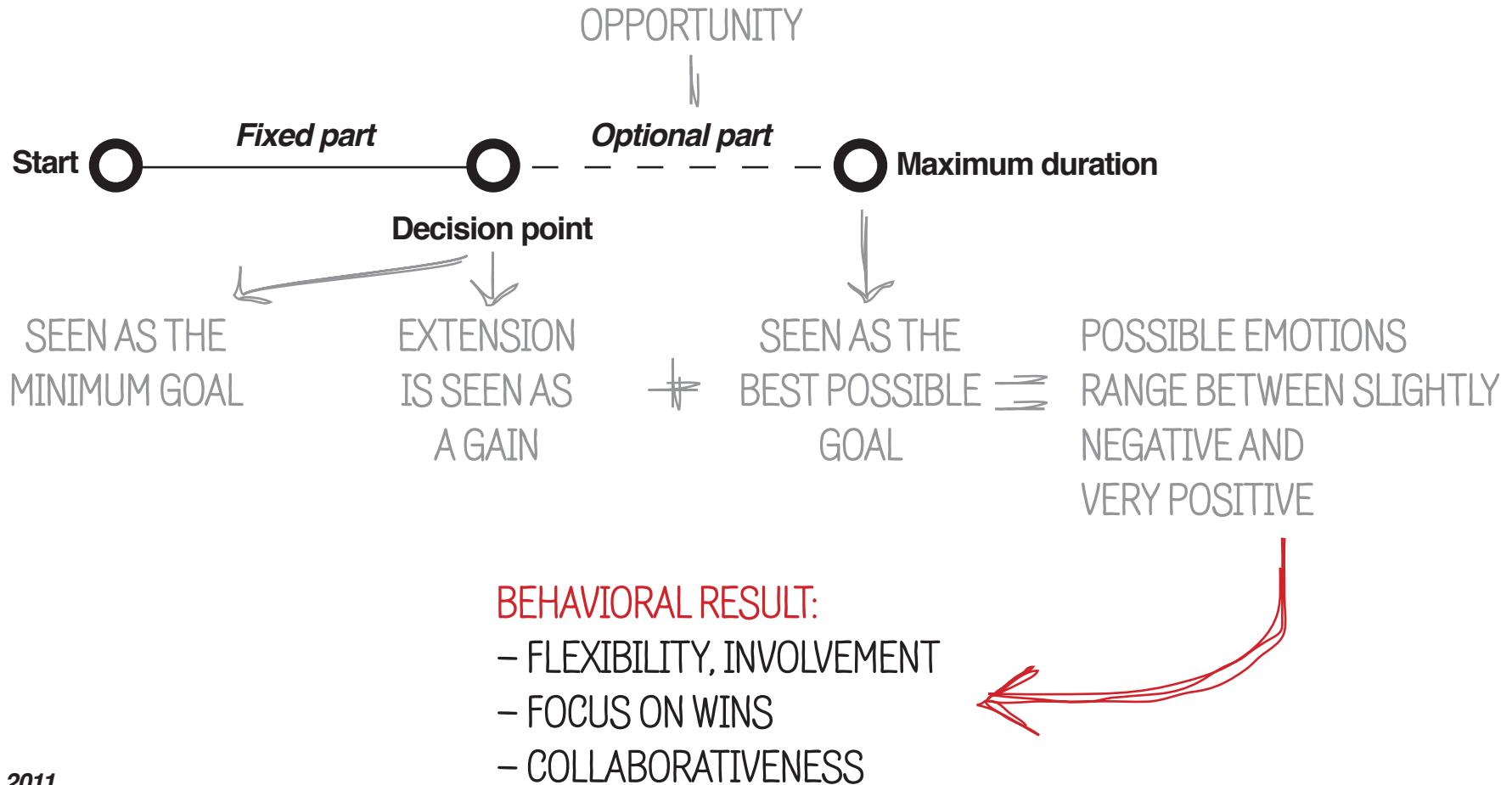
Extension option triggers a **promotive frame**



Based on Weber et al, 2011

What happens?

Extension option triggers a **promotive frame**



Based on Weber et al, 2011

downsides
losses
risks **VS.** **upsides**
gains
opportunities

plus, humans are tendentially more risk averse:
if you are not intentionally seeking an arm's length relation,
you need to consider “framing away from the negative”!

contract design = strategic business decisions

- + strategic risk management
- + behavioral nudges
- + language choice
- + top-notch document design

**How to make
our chosen framing
clear “at-a-glance”?**

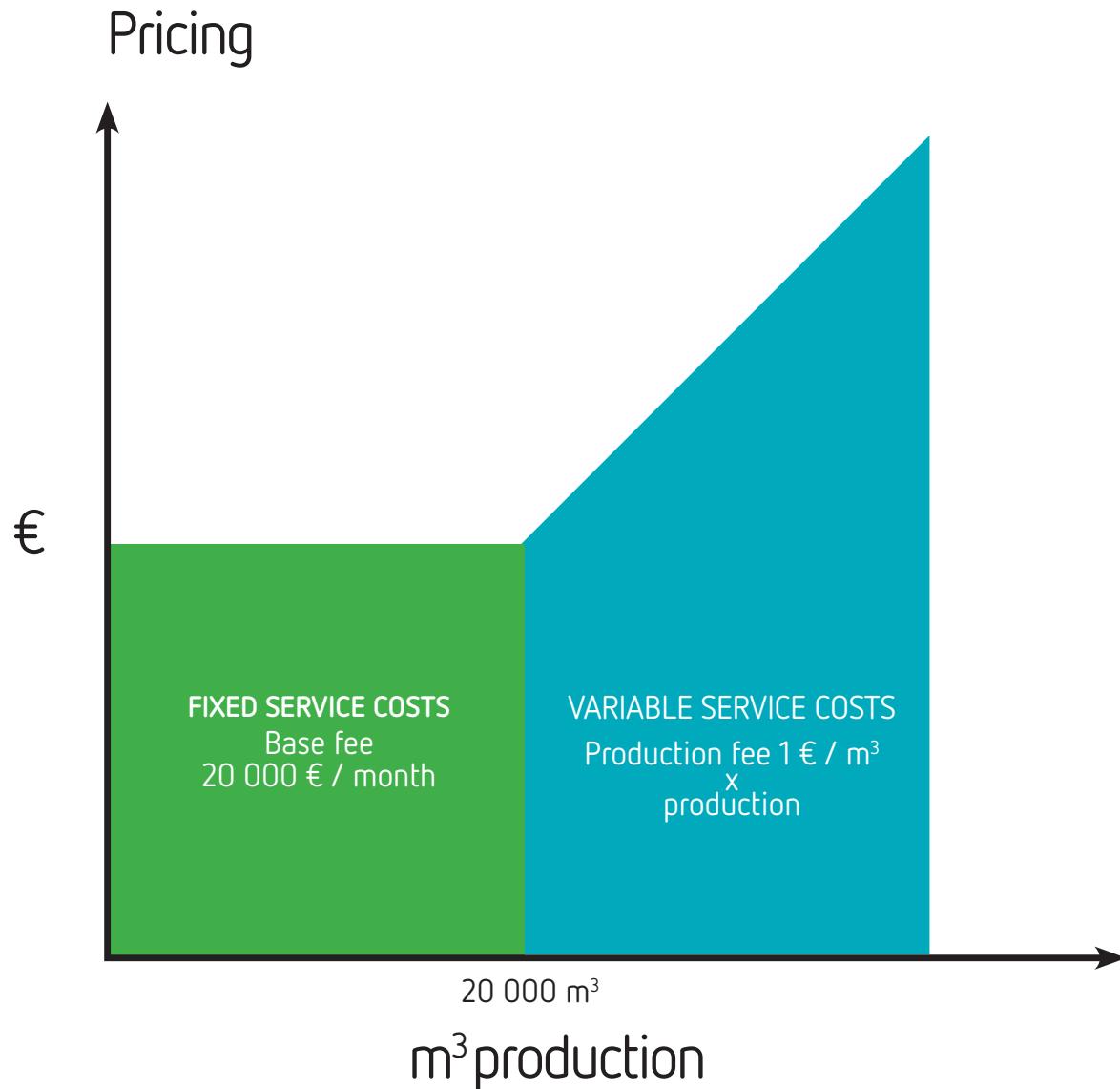
Pricing: showing the value to the customer

Operation & Maintenance Outsourcing

The total compensation is based on a fixed fee and production-based compensation.

- The fixed fee is 20 000 € /month
- Production-based compensation is based on a fee of 1 € per m³ of product, calculated for production over 20 000 m³

Pricing: showing the value to the customer



Supplier's perspective:
**“the more we help production,
the more we are rewarded”**

Design: Stefania Passera

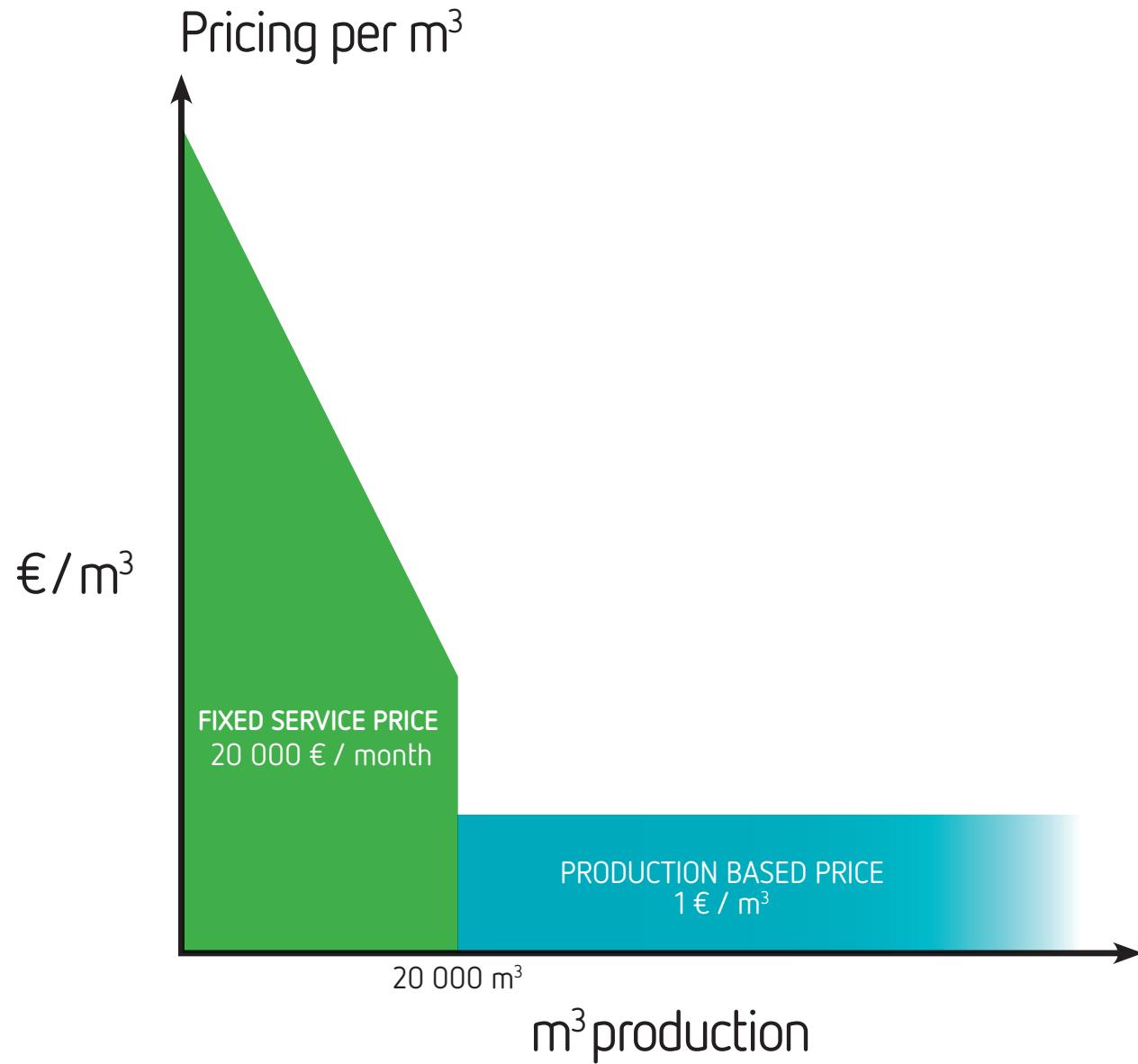
Pricing: showing the value to the customer

“If the customer just looks at this chart at a glance, they may believe that the price goes up.

*It gives the impression that they will spend more!
The point is that it is advantageous for them in the long term.*

If they don't see that, they won't trust our proposal. “

Pricing: showing the value to the customer



Buyer's perspective:
“the more the supplier
helps our production,
the cheaper it gets
(and we are very
productive!)”

Design: Stefania Passera

Creating service scope *with* the customer: the map metaphor

Outsourcing service scope

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Operation & Maintenance Outsourcing

> Is it clear that the service is modular?

> Is it clear that every aspect of the service is flexible and customizable?

> “List of demands” -metaphor

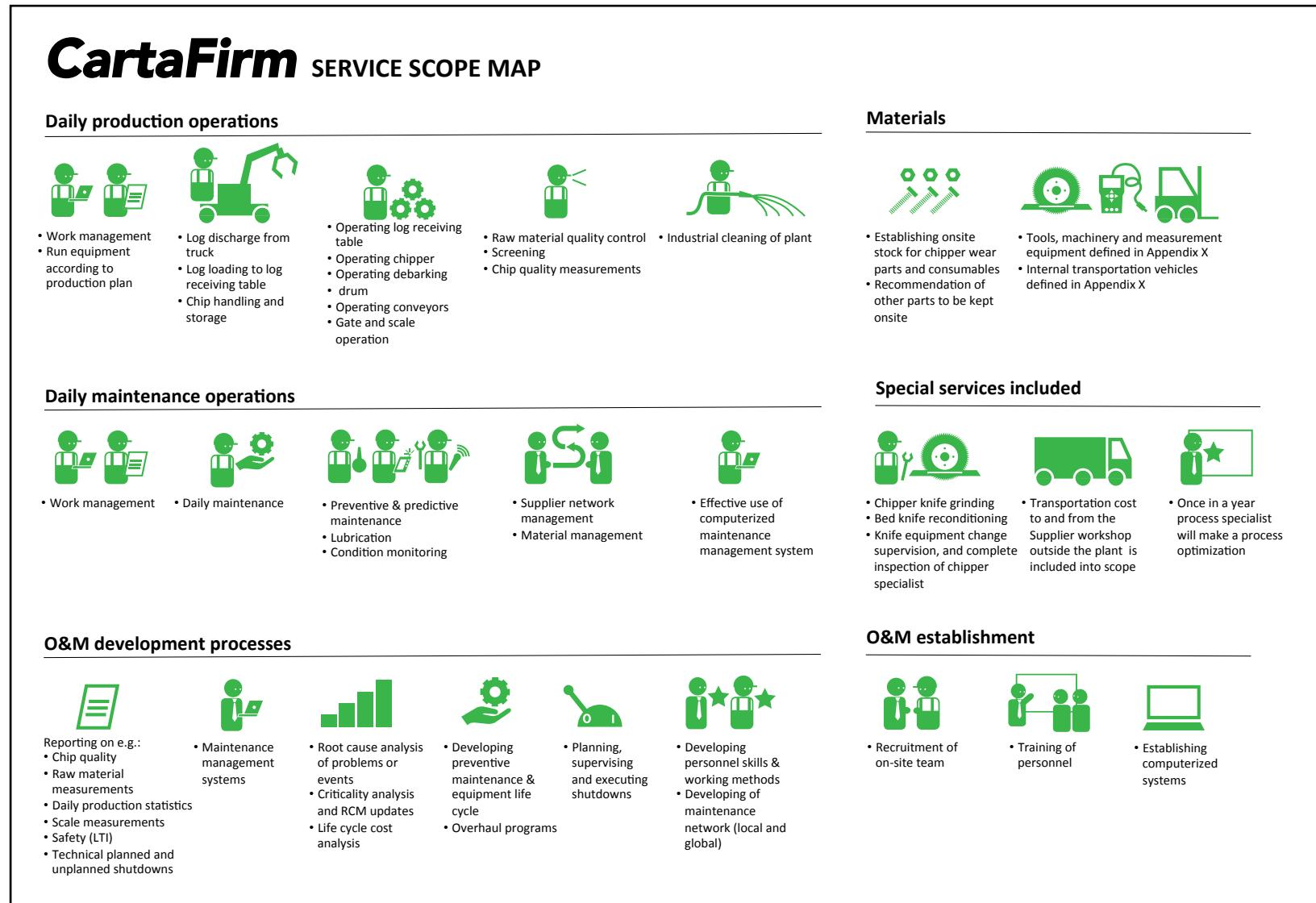
Creating service scope *with* the customer: the map metaphor

Service modules and submodules are visible

Facilitate choice and discussion

“Map” -metaphor invites the parties to explore options together

> service scope creation is often a collaborative endeavor



Design: Stefania Passera

"We promise plain language communications to our customers"

Suitable?

TERMS OF BUSINESS

These are our general terms of business on which we accept instructions from you, our client. We ask you to take the time and trouble to read these terms and to raise with us any questions and concerns before we start work on your behalf. Your particular attention is drawn to clauses 9, 14, 20, and 21, as these clauses contain provisions relating to limitations on our liability to you and to your right of cancellation.

Limited Liability Partnership

[REDACTED] is constituted as a limited liability partnership in accordance with the Limited Liability Partnerships Act 2000 (with registered number [REDACTED]8 and with its registered office at [REDACTED]). We use the word "partner" to refer to a member of the LLP or to an employee or consultant with equivalent standing and qualifications. A list of the members of the LLP is displayed at our Administration Office at [REDACTED], or is available by written request to any of our offices.

OUR SERVICES

1. Our work for you

We aim to offer all our clients a quality personal legal service at a fair cost and are confident that we will do so when working for you.

The firm is committed to offering all our clients an efficient and effective service at all times. You will be kept regularly informed of the progress of your matter. We will explain the legal work that may be required, the costs and risk benefits of pursuing a matter, the likely timescale involved and all communication will be in plain language.

You will be told the name of the individual responsible for your matter and the name of their supervising Team Leader.

We try hard to avoid changing the people who are handling your matter, but if this cannot be avoided we will notify you promptly of any change and why the change is necessary.

You will receive separately our letter of engagement setting out additional information dealing with the specific matter on which you are instructing us. In the event that any provision contained

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within your letter of engagement conflicts with these terms of business then, save in respect of clause 14 below (which shall not be overridden), the provision within the letter of engagement will prevail.

We will accept instructions from you for advice and representation on the law of England and Wales only and not on any foreign or religious law. On your behalf we may instruct, with your agreement, experts to advise and represent you on foreign and religious law issues.

In the course of carrying out instructions on a matter it may be necessary to take expert advice from a third party. We will inform you if we propose instructing a third party on your behalf.

External firms or organisations may conduct audits or quality checks on our practice. These external firms or organisations are required to maintain confidentiality in relation to your files.

2. Your Obligations

You agree with us that you will, so far as you are able, give to us clear instructions and not deliberately withhold any information, which we might reasonably require to properly represent you. The relationship between solicitor and client must be one of mutual good faith, confidence and honesty, and we both agree that our business dealings will be upon this basis.

3. Financial Services

Our services to you do not include investment advice in relation to the work or its practical implications. If during this transaction you need advice on investments we may refer you to someone who is authorised by the Financial Conduct Authority ("FCA"), as we are not. We may make you aware of financial products available in the market that do not form part of our services, and in relation to which you should seek independent financial advice before making any commitments.

However, we are included on the register maintained by the FCA so that we can carry on insurance mediation activity, which is broadly the advising on, selling and administration of insurance contracts. We may also be able to provide certain limited investment services where these are closely linked to the legal work we are doing for you.

Our financial services are regulated by the Solicitors Regulation Authority ("SRA"). The register can be accessed via the Financial Conduct Authority website at www.fca.org.uk/register.

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"We promise plain language communications to our customers"

Better?

Consistent
with brand

Diagrams
to explain
clearly the
customer's
rights and
obligations

key info
is highlighted

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 **4. Tax advice**

■ Any work that we do for you may involve tax implications or necessitate the consideration of tax planning strategies: if you have any need for tax advice, please raise this with us immediately.

■ If we can undertake the necessary research to resolve the issue we will do so and advise you accordingly. If we cannot we will endeavour to identify a source of assistance for you. We may not be qualified to advise you on the tax implications of a transaction that you instruct us to carry out, or the likelihood of them arising. Unless we specifically agree in our letter of engagement to undertake tax advice or to advise on the tax implications, then this work is not included in our services or duty of care to you.

Fees, invoicing, and payments

 **5. Our fees**

■ Our current fees will be set out in our engagement letter to you.

■ Our fees will be calculated on the basis of the *urgency, complexity, value or importance* to you of the work and of the *time spent on your matter*, together with the *expenses we incur on your behalf*. We may, however, agree with you a different basis for calculation of our fees.

■ All rates are quoted exclusive of VAT, which will almost always be charged in addition. We will add VAT to our charges at the rate that applies at the relevant tax point for VAT purposes – usually the date of the bill.

■ We periodically review our charging rates, usually once a year, to take account of changes in overhead costs. We will notify you in advance in writing of any increased rate.

■ Wherever possible we will give you an estimate or budget of the likely costs of the work we will be doing for you. This estimate is not a fixed quotation. If, because of the nature of the work, we cannot give such an estimate or budget we will inform you and tell you how the fees will be calculated. We will tell you if any difficulties arise or other events occur which make it necessary to review the estimate.

■ If you wish you may place an upper limit on the amount of fees for which you will be liable and we will notify you if that upper limit is reached so that you can decide whether or not you wish us to carry out further work on your behalf. Please inform us if you want to set such a limit.

■ In the course of your matter we may incur expenses or disbursements on your behalf (e.g. travelling expenses, photocopying costs, experts' fees and direct costs in obtaining information). Where an expense is likely to be incurred you will be notified in advance and the fee for carrying out this work will be shown separately on your bill. In all matters we will consider with you whether the likely outcome will justify the expense or the risk involved.

Price estimate (if possible) → Letter of engagement will report our current charging rates → Let us know if you wish to set an upper limit on the fees you will owe us → Work starts → If it is likely we will incur an expense on your behalf, we will notify you and consider it with you → If our rates change, we will notify you in advance.

 **6. Invoicing**

■ We will invoice at *monthly intervals* (or more frequently if agreed or if the amount of work justifies this) during the course of our work and at the end of your matter.

■ Please note that if you provide an email address then we will assume that you consent to delivery of our bills electronically unless you specifically advise us that you will not accept electronic bills.

■ In property or business transactions we will normally send you our bill following exchange of contracts, unless other terms have been agreed. If you are purchasing property or a business then we will require payment of our bill prior to completion and in a sale transaction, payment will be made at completion. If sufficient funds are available on completion, and we have sent you a bill, we will deduct our charges and expenses from those funds. We reserve the right to refuse to act for you in the completion of a transaction if such payment has not been made prior to completion or will not be available at completion.

 **7. Advance payments**

■ It is our usual practice to ask clients to pay sums of money in advance in relation to our anticipated fees and expenses at the beginning and during the conduct of your matter. We will offset any such payments against your bills but it is important that you understand that your total charges and expenses may be greater than any advance payments.

 **8. Payments**

■ Unless otherwise agreed, payment of each and all of your bills is *due immediately*.

 We offer the facility to pay our fees by Visa or MasterCard, including payments on-line.

 Please do not pay us in cash. That gives us regulatory problems, and may hold up your transaction. If you deposit cash direct with our bank we reserve the right to charge for any additional checks we deem necessary regarding the source of the funds.

■ Interest will be charged *one month* from delivery of the bill *on a daily basis* as follows:

For non-contentious work: at the rate currently payable on judgment debts pursuant to the Solicitors' (Non-Contentious Business) Remuneration Order 2009

For contentious work: at 8% compound interest above the Bank of England base rate at the date of the bill.

■ You are responsible for any charges in respect of any payment to us, for example, bank charges deducted by your bank from a bank transfer to us or charges in respect of payments made to us by credit card.

■ We only accept payment of expenses or fees from third parties by exception provided we are able to comply with our obligations under the anti money laundering obligations.

■ Any monies due to you, at the conclusion of the matter, will be paid by cheque or bank transfer, subject to identification being in place. We will not refund in cash and we will not refund to a third party unless we have received your written instructions to do so and we are satisfied that the transaction is in accordance with our obligations under the anti money laundering legislation and guidance.

"We want to show that we are more collaborative than our competitors"

Suitable?

<p>Logo</p> <p>SPORTING EXCELLENCE PARTNERSHIP HANDBOOK</p> <p>B. THE STUDENTS In relation to the Students the Club shall</p> <p>The Club agrees that it shall provide the Study Programme and that in relation to the Students it will always:</p> <ul style="list-style-type: none">(a) distribute all relevant and necessary marketing and advertising services to promote the Study Programme and allow or an Authorised Delivery Partner to promote other progression opportunities such as higher education and employment opportunities to potential students.(b) provide input to the timetables, and implement the appropriate timetables in accordance with the timetable provided by the Guided Learning Hours and the requirements of this Partnership Handbook, Scheme of Work and lessons plans for the Enrichment Activities which must be approved by the and which may be reviewed on a regular basis throughout the Academic Year.(c) implement an interview process and provide an Assessment for all potential Students to ensure suitability for the Enrichment Activities including Assessments, and Information evenings to recruit potential Students.(d) promptly undertake initial induction processes for Students for the Enrichment Activities including all interviews and enrolment forms, codes of conduct, player development plan and to support the in the induction process for the Educational Programme.(f) using skills reasonably at the Club's disposal, support the Student to achieve the Probationary Targets, liaise with and assist the in the Student's progress review on a date and at a time agreed by the Parties and in resolving any problems or issues that may arise within a Student's review report.(h) use reasonable endeavours to ensure each Student attends the Enrichment Activities and the Educational Programme and in the event of poor attendance (under 85%), to notify and work with the to support the Student and ensure full attendance to avoid any exclusion of the Student by the.(i) attend parents evenings held throughout the Academic Year to offer feedback on each Student's progress with the Enrichment Activities.(j) provide regular match provision, tournaments, events and opportunities for Student's to progress within the Club.(l) provide the Minimum Number of Students and Minimum Guided Learning Hours to Students in accordance with the Agreement.(m) support the with Student player reviews to monitor attendance, behaviour and Study Programme progress.(n) keep full and proper books of account and records in respect of the Enrichment Activities showing clearly all Students, their attendance information and any relevant information required by the Lead Provider and/or Funding Body and allow the on reasonable notice, access to such records for the purpose of inspection.(o) support any disciplinary measures implemented by the by banning relevant Students from the Enrichment Activities due to unsatisfactory work output, attendance or behaviour / attitude within any area of the Study Programme. In such instances the Student will be required to attend additional Educational Programme sessions until the is satisfied that they are up to date with their Educational Programme and ready to resume on the Enrichment Activities.(p) ensure that the Student attends all relevant exams in respect of the Study Programme. It is agreed by the Club that each Student shall be allowed 2 attempts of each exam. In the event of failure of the exam due to non-attendance issues of the Student, the shall be entitled to deduct the costs of the failed exam from the Fees.(q) acknowledge that the Student is a student of the Lead Provider and not an employee of either the Club or the. <p>D. FACILITIES In relation to the Facilities the Club shall</p> <ul style="list-style-type: none">(f) for the duration of the Study Programme, procure (at its own cost) suitable IT systems in accordance with the standards set out at www.adcomm-it.co.uk/scl together with such Education Facilities, including premises and equipment required for the provision of the Educational Programme; this shall include but not be limited to:<ul style="list-style-type: none">(i) a dedicated and appropriate classroom with suitable tables and chairs;(ii) appropriate ventilation, lighting and heating;(iii) suitable Internet connection for use by Students and the teachers	<p>Logo</p> <p>SPORTING EXCELLENCE PARTNERSHIP HANDBOOK</p> <ul style="list-style-type: none">(iv) IT devices (tablets / laptops); and(v) supply hot and cold water, shower, toilet and changing facilities, together with all other fixtures, fittings and furniture reasonably required. <p>(g) provide suitable outdoor Education & enrichment activities facilities including premises for training and match provision, artificial and/or grass pitch, tournaments and events.</p> <p>(h) Such Guided Learning Hours for the Enrichment Activities are to be delivered by the Club between the hours of 09:00 and 17:00 on or between Monday to Friday, as per the timetable, and September to July in each Academic Year, and in any case the Club shall provide a minimum of seven (7-10) practical training hours per week, the may notify the Club at any time by email in the event of any change required to the minimum number of hours set out above.</p> <p>(i) occupy carry out Health and Safety checks on all premises, to ensure such premises are suitable and safe for their purpose, promptly provide to the copies of all risk assessments undertaken together with all relevant certificates confirming that checks have been successfully completed and ensure that, at all times, issues or concerns regarding Health and Safety are reported to immediately, particularly in the case of accidents.</p> <p>4. COMMUNICATION</p> <p>Both the Club and the agree that communication is imperative to a successful partnership arrangement and agree to meet in accordance with section 5 below, and also acknowledge that the Review Meetings and commercial and strategic meetings are in addition to, and not in place of, on-going communication, verbal, via email or face-to-face.</p> <p>5. REVIEW MEETINGS</p> <p>The parties shall meet no less than 4 times per Academic Year for a Review Meeting with regional managers to discuss operational aspects, the details of any element of the Study Programme, including Student reviews, progress, procedural, administrative and other Student matters at a mutually agreed location, time, and date.</p> <p>The parties shall additionally meet at a mutually agreed location, time, and date, and in any case no less than twice an Academic Year, to discuss, at director level, any commercial and strategic matters.</p> <p>6. PROCEDURE FOR NOTIFICATION</p> <p>Where either Party has identified any perceived or actual breach of obligations, repeated or otherwise, by the other, then the following procedure shall be followed:</p> <ul style="list-style-type: none">a) the party who has identified the breach shall document and notify the other Party of the details of the perceived breach of obligations on a time is of the essence basis, but in any event no later than at the next scheduled Review Meeting.b) the Party in breach shall have the opportunity to correct, or take all reasonable steps to correct, and resolve the matter prior to the next Review Meeting or earlier, as may be agreed, in writing, between the parties.c) Where such perceived or actual breach is not immediately brought to the attention of the other and the party in breach have not been provided the reasonable opportunity and time to correct any breach, repeated or otherwise, then, in accordance with the Agreement, the party who has identified the breach shall not be able to terminate the Agreement for breach under clause 6.10 of the General Terms (General Rights to Terminate).d) Where the parties are unable to mutually agree timescales, or a dispute arises relating to the breach of obligations, cure or any other aspects of the breach, or perceived breach, then the parties shall revert to the Dispute Resolution procedure set out in the General Terms. <p>7. FAILURE TO MEET OBLIGATIONS</p> <p>The Club shall, at all times, work in accordance with the terms of this Partnership Handbook and the Agreement to ensure standardisation and compliance with Ofsted and the Lead Provider contracts held by the. The Club acknowledges that any failure to meet its obligations under this Agreement including the attendance at continuing professional development and training events set out in 3 above, (in addition to any other rights the may have under the Agreement, or at law) will mean the Club is in breach of the Agreement and may, in addition to any other rights the may have under this Agreement or at Law, incur the relevant proportion of costs incurred by the relating to the Club's failure around training and standardisation of delivery.</p>
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“We want to show that we are more collaborative than our competitors”

Better?

“Us” is the focus

Swimlanes are used to create equality between the parties



3. Students & parents (1/2)

Both partners will:

- Ensure the welfare of the students.
- Where required, work together and meet on a date and at a time agreed by the Parties to resolve any problems or issues that may arise within a Student's review report.
- Agree that it is in the best interests of the *Study Programme* that Students may for a period of time be removed from the *Sporting Excellence Programme* due to unsatisfactory work output, attendance or behaviour / attitude within any area of the *Study Programme*. In such instances, the Student will be required to attend additional *Educational Programme* sessions until [REDACTED] is satisfied that they are up to date with their *Educational Programme* and ready to resume on the *Sporting Excellence Programme*.
- Ensure each Student attends the *Educational Programme* and in the event of poor attendance (under 85%), to notify each other and work together to support the Student and ensure full attendance to avoid any exclusion of the Student.

[REDACTED] will:

- Give information, advice and guidance to the students for progression routes following completion of the *Study Programme*.
- Complete registration with awarding bodies for appropriate exams and certification pursuant to the awarding bodies and *Lead Provider*'s guidelines in place from time to time.
- Liaise with any relevant awarding body external verifiers if sample of student's work is requested.
- Provide the timetable to adhere with student needs and *Funding Body* guidelines and will work with Club.
- Prepare an overall *Scheme of Work* for the *Study Programme* that include both the Educational and *Sporting Excellence Programme* Lesson plans.
- Audit lesson plans to ensure that they comply with *OFSTED* standards.
- Comply with the *Guided Learning Hours* required for the Educational element of the *Study Programme* and provide the Club with notification of the *Guided Learning Hours* for the *Sporting Excellence Programme*.

The Club will:

- Allow associated partners of [REDACTED] or an *Authorised Delivery Partner* to promote other progression opportunities such as higher education and employment opportunities to potential students.
- Support [REDACTED] with the registration process if required
- Provide input to [REDACTED] on and when finalised implement the timetables
- Provide [REDACTED] with a *Scheme of Work* for the *Sporting Excellence Programme* in order to comply with *OFSTED* requirements. These must be approved by [REDACTED] and may reviewed on a regular basis throughout the *Academic Year*.
- Comply with the *Guided Learning Hours* for the Enrichment Activities outlined on the agreed timetable.
- Ensure that lesson plans are regularly updated and available for review by [REDACTED]
- Keep records in respect of the *Sporting Excellence Programme* showing clearly all Students, their attendance information and any relevant information required by the *Lead Provider* and/or *Funding Body* and allow [REDACTED] on reasonable notice, access to and inspect those records.

Legal Design Jam™: a way to reframe (and simplify) contracts

NUCLEAR ENERGY RISKS EXCLUSION CLAUSE (REINSURANCE) (1994) (WORLDWIDE EXCLUDING U.S.A. AND CANADA)

This Reinsurance shall exclude Nuclear Energy Risks whether such risks are written directly and/or by way of reinsurance and/or via Pools and/or Associations.

For all purposes of this Reinsurance Nuclear Energy Risks shall mean all first party and/or third party insurances or reinsurances (other than Workers' Compensation and Employers' Liability) in respect of:

All Property on the site of a nuclear power station.

Nuclear Reactors, reactor buildings and plant and equipment therein on any site other than a nuclear power station.

II All Property, on any site (including but not limited to the sites referred to in I above) used or having been used for:

(a) The generation of nuclear energy; or

(b) The Production, Use or Storage of Nuclear Material.

III Any other Property eligible for insurance by the relevant local Nuclear Insurance Pool and/or Association but only to the extent of the requirements of that local Pool and/or Association.

IV The supply of goods and services to any of the sites described in I to III above, unless such insurances or coverages shall exclude the perils of irradiation and contamination by Nuclear Material.

Except as undernoted, Nuclear Energy Risks shall not include:

(i) Any insurance or reinsurance in respect of the construction or erection or installation or replacement or repair or maintenance or decommissioning of Property as described in I to III above (including contractors' plant and equipment);

(ii) Any Machinery Breakdown or other Engineering Insurance or reinsurance not coming within the scope of (i) above.

Provided always that such insurance or reinsurance shall exclude the perils of irradiation and contamination by Nuclear Material.

However, the above exemption shall not extend to:

1. The provision of any insurance or reinsurance whatsoever in respect of:

(a) Nuclear Material;

(b) Any Property in the High Radioactivity Zone or Area of any Nuclear Installation as from the introduction of Nuclear Material or - for reactor installations - as from fuel loading or first criticality where so agreed with the relevant local Nuclear Insurance Pool and/or Association.

2. The provision of any insurance or reinsurance for the undernoted perils:

- Fire, lightning, explosion;

- Earthquake;

- Aircraft and other aerial devices or articles dropped therefrom;

- Irradiation and radioactive contamination;

- Any other peril insured by the relevant local Nuclear Insurance Pool and/or Association;

(i) respect of any other Property not specified in 1 above which directly involves the Production, Use or Storage of Nuclear Material as from the introduction of Nuclear Material into such Property.

Definitions

"Nuclear Material" means:

(i) Nuclear fuel, other than natural uranium and depleted uranium, capable of producing energy by a self-sustaining chain process of nuclear fission outside a Nuclear Reactor, either alone or in combination with some other material; and

(ii) Radioactive Products or Waste.

"Radioactive Products or Waste" means any radioactive material produced in, or any material made radioactive by exposure to the radiation incidental to the production or utilisation of nuclear fuel, but does not include radionuclides which have reached the final stage of fabrication so as to be usable for any scientific, medical, agricultural, commercial or industrial purpose.

"Nuclear Installation" means:

(i) Any Nuclear Reactor;

(ii) Any factory using nuclear fuel for the production of Nuclear Material, or any factory for the processing of Nuclear Material, including any factory for the reprocessing of irradiated nuclear fuel; and

(iii) Any facility where Nuclear Material is stored, other than storage incidental to the carriage of such material.

"Nuclear Reactor" means any structure containing nuclear fuel in such an arrangement that a self-sustaining chain process of nuclear fission can occur therein without an additional source of neutrons.

"Production, Use or Storage of Nuclear Material" means the production, manufacture, enrichment, conditioning, processing, reprocessing, use, storage, handling and disposal of Nuclear Material.

"Property" shall mean all land, buildings, structures, plant, equipment, vehicles, contents (including but not limited to liquids and gases) and all materials of whatever description whether fixed or not.

"High Radioactivity Zone or Area" means:

(i) For nuclear power stations and Nuclear Reactors, the vessel or structure which immediately contains the core (including its supports and shrouding) and all the contents thereof, the fuel elements, the control rods and the irradiated fuel store; and

(ii) For non-reactor Nuclear Installations, any area where the level of radioactivity requires the provision of a biological shield.

Reinsurance clause on excluding nuclear risk

Excludes...

Excepts...

Excepts (to the first exception)...

Excepts (to the second exception)...

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NUCLEAR ENERGY RISKS EXCLUSION CLAUSE

This Reinsurance shall exclude Nuclear Energy Risks whether such risks are written directly and/or by way of reinsurance and/or via Pools and/or Associations.

For all purposes of this Reinsurance Nuclear Energy Risks shall mean all first party and/or third party insurances or reinsurances (other than Workers' Compensation and Employers' Liability) in respect of:

I All Property, on the site of a nuclear power station.

Nuclear Reactors, reactor buildings and plant and equipment therein on any site other than a nuclear power station.

II All Property, on any site (including but not limited to the sites referred to in I above) used or having been used for:

(a) The generation of nuclear energy; or

(b) The Production, Use or Storage of Nuclear Material.

III Any other Property eligible for insurance by the relevant local Nuclear Insurance Pool and/or Association but only to the extent of the requirements of that local Pool and/or Association.

IV The supply of goods and services to any of the sites, described in I to III above, unless such insurances or reinsurances shall exclude the perils of irradiation and contamination by Nuclear Material.

Except as undernoted, Nuclear Energy Risks shall not include:-

(i) any insurance or reinsurance in respect of the construction or erection or installation or replacement or repair or maintenance or decommissioning of Property as described in I to III above (including contractors' plant and equipment);

(ii) any Machinery Breakdown or other Engineering insurance or reinsurance not coming within the scope of (i) above.

Provided always that such insurance or reinsurance shall exclude the perils of irradiation and contamination by Nuclear Material.

However, the above exemption shall not extend to:-

1. The provision of any insurance or reinsurance whatsoever in respect of:-

(a) Nuclear Material;

(b) Any Property in the High Radioactivity Zone or Area of any Nuclear Installation as from the introduction of Nuclear Material or - for reactor installations - as from fuel loading or first criticality where so agreed with the relevant local Nuclear Insurance Pool and/or Association.

2. The provision of any insurance or reinsurance for the undernoted perils:

- Fire, lightning, explosion;

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Nuclear Energy Risks Exclusion Clause

This reinsurance excludes Nuclear Energy Risks.

❖ What is a Nuclear Energy Risk?

It is a first party and third party insurance or reinsurance (except for Workers' Liability and Employers' Liability insurance) covering:

- a) Nuclear Property,
- b) risks eligible for cover under a Nuclear Insurance Pool (to the extent they are eligible), or
- c) the supply of goods and services to Nuclear Property unless the policies exclude the perils of irradiation and contamination, or
- d) breakdown of machinery or other engineering activities related to Nuclear Property unless the policies exclude the perils of irradiation and contamination, or
- e) any instance of fire, lightning, explosion, earthquake, aircraft, irradiation, radioactive contamination which is directly related to Nuclear Property.

❖ What is Nuclear Property?

It is:

- a) the site of a Nuclear Installation and everything on it, once radioactive material has been introduced to it, and
- b) any other property or material that is sufficiently radioactive to require a biological shield to be used

but excludes:

material that may be radioactive but has been processed so that it is fit to use for medical, agricultural, scientific or general (non-power-generating or weapons-related) commercial or industrial use.

❖ What is a Nuclear Installation?

It is a site where radioactive material is processed, stored or used for nuclear fission, or for reprocessing after use for nuclear fission.

❖ What is a Nuclear Insurance Pool?

It is a distribution mechanism by which the insurers of Nuclear Property pool their risk.

**Just state your message
(it excludes a certain category of risk)**

Define the risk in straightforward and clear terms

Add simple to understand exceptions

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Summarizing...

- Be **deliberate** in stressing losses VS gains,
as it will influence the relationship you wish to achieve with the counterpart
- It's not true that "*any contract will do*": you need to be **strategic** in contract design
- **Contract design** =
business strategy + behavioral considerations + language + visual communication
- Humans are **multisensory** (and **bounded-rational**) animals:
good design can help communicate clearly, tacit and explicit knowledge alike

A!

Aalto University
School of Science

thank you

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