IFOAM Accreditation Programme

Official Notice Number 2007-01

Financial Stability re Liability Insurance

Criterion 1.4.1 concerns the financial stability of a Certification Body and its guidance note indicates that this includes provisions to cover liabilities in situations where there is a significant risk of being sued. This is a change from the 2002 version of the Criteria where 1.4.1 required such provision regardless of risk.

The IOAS assumes as a starting point that a certifier needs to have some sort of liability coverage. However, there may be situations where this is not necessary, and in such cases the CB must provide evidence to demonstrate that they are low risk.

Risk will be assessed based on indicators which are listed below in order of significance.

1) The Certification Body provides evidence that professional liability insurance is not available in their country. The IOAS will then assume that it is not available because there is little likelihood of litigation.

2) The Certification Body provides a legal opinion that there is no significant risk. Either of the indicators above may establish that a certifier is at low risk and implementation of the criterion is unnecessary - in the first case one would expect the evidence to come from an insurance company or broker and in the second from a lawyer.

Less strong indicators are:

3) The Certification Body has arbitration contracts in place with regard to disputes.
4) The Certification Body has a low level of appeals and complaints (cultural improbability)

All the above indicators would have to be valid in all countries in which the certifier is active.

Additionally: A Certification Body is exempt for liability provisions if there are either:

a) a government body
b) owned by a third party with an agreement that the third party assumes any liability.