

# RISK CODES

## **GUIDANCE AND MAPPINGS**

**MAY 2009**

## DISCLAIMER

The guidance notes relate to Lloyd's risk coding system and provide background information, general principles which apply to all codes, and detailed guidance on certain specific risk codes. These guidance notes are provided in order to assist Lloyd's underwriters with the correct selection of risk codes, and to assist Lloyd's brokers and Lloyd's managing agents in matters relating to the processing and reporting of insurance business written at Lloyd's. Whilst these guidance notes may also be read by any person(s) seeking general information, Lloyd's accepts no liability arising as a result of such person(s) placing reliance on the information contained therein.

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## 1 PURPOSE

1.1 The purpose of this document is to give guidance to underwriters on the classification of business into various categories using the Lloyd's risk coding scheme. This document discusses underlying principles of the scheme, matters which apply to its operation in general, and matters which apply to specific classes of business/risk codes.

## 2 PRINCIPLES OF THE SCHEME

2.1 The risk codes scheme provides a common basis for the classification/description of risks so that:

- (i) All underwriters on a particular risk use the same description and
- (ii) So far as is practical, risks are described consistently.

2.2 The scheme takes account of, and is a balance between, three differing requirements:

- (i) Underwriting practice - to accommodate the various bases on which business is written.
- (ii) Statutory reporting - which has regard to the underlying insurance risk irrespective of how the business is placed.
- (iii) Disclosure for Capital Providers and Agents - which is concerned with the spread of risk, the extent of risk concentration and catastrophe exposure.

2.3 The risk coding scheme is not intended as, nor can it be, a substitute for the proper analysis and description of risks according to managing agents' own systems, but rather is to provide a common "skeleton" on to which "flesh" can be added according to the special circumstances of each syndicate.

2.4 Lloyd's may, from time to time, set up risk new codes where there is a sound business case for so doing: in such circumstances the LMA will be consulted. In addition, underwriters may request new codes: in these circumstances requests must always be made via the LMA, once receiving the Association's support, they will then make an approach to Lloyd's Head of Market Analysis.

## 3 OPERATION OF THE SCHEME IN GENERAL

### 3.1 Responsibility for Coding Risks

3.1.1 It is the responsibility of the leading Lloyd's underwriter on the risk to classify the risk with the appropriate risk code(s). Where a multi-peril policy comprises different sections which are insured separately by different syndicates, the underwriter of the leading syndicate of each section must classify the business for the syndicates in that section.

3.1.2 However, it is also the responsibility of all following underwriters to ensure that the correct code(s) has been allocated. Codes applied by the leading Lloyd's underwriter should not be altered or added to without the leading Lloyd's underwriter's approval. Should a following underwriter wish to amend a risk code, he should refer the matter directly to the leading Lloyd's underwriter. Should there be any doubt as to the correct code or codes to be used, the matter should be referred in the first instance to XIS's Enquire

Helpline on 01634 887899 for assistance. The relevant market association or the Lloyd's Franchise Performance Directorate (FPD) should also be able to provide guidance.

- 3.1.3 As has historically been the case, and will continue to be so, the risk code(s) selected by the leading Lloyd's underwriter of a policy or section must also be used by all following Lloyd's underwriters on that policy or section. XIS has been instructed to reject policies with non-uniform risk-coding back to the broker, with the instruction that the leading Lloyd's underwriter and the following market discuss the matter further until agreement is reached.

## **3.2 Selection of Codes**

- 3.2.1 All insurance and reinsurances should be coded under the specific category of business which most appropriately reflects the business being underwritten. If there is a specific classification into which the risk falls, the leading underwriter should select the code for that risk. For example, a risk covering UK household property would be risk coded HP.
- 3.2.2 Should the contract include another class of business and/ or more than one territory (where these characteristics are to be distinguished by separate risk codes), underwriters should refer to "Multiple risks" for further guidance (see section 3.3).
- 3.2.3 Premium relating to business for which specific premium income limits/monitoring requirements apply must be split out and allocated to the appropriate risk code, including where written as part of general inwards excess of loss and whole account coverage. The risk codes in question are BS, CF, CN, CP, CR, FC, FG, FM, FS (please refer to section 4.5), and WL/QL (please refer to section 4.13).
- In addition, please note that syndicates may not devote more than 5% of their premium capacity to business falling under risk code "TE" - Malicious Damage and Sabotage (please find related market bulletins of 4/2 and 18/3 1991).
- 3.2.4 Certain liability categories require underwriters to denote whether the wording is on a claims made or losses occurring basis (e.g. NA and NC).
- 3.2.5 A number of risk codes differentiate between "including USA" and "excluding USA". Underwriters should refer to "USA/ non-USA designated risk codes" for further guidance (see section 3.4).
- 3.2.6 If there is no specific classification, the leading underwriter should use best judgement to select the most appropriate code(s).
- 3.2.7 In order to assist underwriters, a table is provided in Appendix 1 to this guidance which lists the risk codes.

## **Reinsurance**

- 3.2.8 Should the risk be a non-proportional treaty reinsurance of a specific class of business, the leading underwriter should select the most appropriate specific inwards excess of loss code if one has been designated. For example, a direct insurance of a vessel would carry the code 'T', but code TX should be selected when protecting an insurer's specific hull book on an excess of loss treaty basis. Underwriters

should note that these specific inwards codes apply to all types of non-proportional specific account treaties (i.e. including aggregate excess and stop loss).

- 3.2.9 Where the reinsurance protects all the writings of an insurer or underwriter, the appropriate whole account excess of loss (or whole account XOL on XOL) treaty reinsurance code should be selected (e.g. XT, X2 etc.). Underwriters should note that these codes apply to all types of non-proportional whole account treaties (i.e. including aggregate excess and stop loss).
- 3.2.10 XOL on XOL is defined as excess of loss retrocession of excess loss writings of a portfolio and there are several risk codes dedicated to this type of business (e.g. X1, X2 & X3). If contracts include coverage for both XOL on XOL and other reinsurance business, it must be classified XOL on XOL if the XOL on XOL element represents 10 per cent or more of the overall exposure.
- 3.2.11 In the case of aviation business there is no de minimis provision applicable. If the excess of loss reinsurance excludes XOL on XOL then risk code XY applies, and if XOL on XOL is included then risk code X1 is to be used irrespective of the amount of XOL on XOL exposure.
- 3.2.12 If the risk in question is a facultative reinsurance then the direct risk code should be used, rather than the specific inwards excess of loss code which applies only to treaty business.
- 3.2.13 With the exception of property proportional treaty reinsurance, where risk code TR (“All Risk Physical or Loss Damage Direct Proportional Reinsurance”) applies, underwriters should use the most appropriate direct code for all other proportional treaty reinsurance business. If the proportional treaty reinsurance includes a mixture of risk categories, underwriters should refer to “Multiple Risks” for further guidance (see section 3.3 below).
- 3.2.14 With the exception of SR (Agg Stop Loss and XOL Marine Outward Whole Account), all risk codes must be used for inwards business only. Risk code SR should only be used for LORS transactions i.e. for the coding of outwards reinsurance.

Agents should note that for the purposes of the annual Solvency and Reserving Data (“SRD”) return, outwards code SR must not be used. In order to calculate net premiums and net claims, syndicates should instead allocate reinsurance purchased and reinsurance recoveries under the risk code(s) used for the direct/ inwards business.

- 3.2.15 See also section 4.2.2 in respect of Aviation business.

### **3.3 Multiple Risks**

- 3.3.1 For insurances providing coverage across two or more risk codes (including those denoting both risk and territorial exposure), the leading underwriter should code the predominant parts of the total risk having regard to the overall exposure of risk and the most likely incidence of future claims. The leading underwriter should endeavour to sub-divide a lesser element of the overall exposure if considered material with an appropriate division of premium.

- 3.3.2 In the case of large global policies, the leading underwriter should endeavour to code the predominant parts of the total risk and sub-divide exposures as appropriate, including where risk codes distinguish between territories, with an appropriate division of premium. Underwriters should refer to "USA/ non-USA designated risk codes" for further guidance (see section 3.4).
- 3.3.3 In the case of certain whole account excess of loss reinsurance contracts, it is recognised that it is not always possible to make an accurate assessment of the division of the business over the various risk classifications, but underwriters are requested to make as accurate an assessment as possible of the principle risk classification exposure(s). This is necessary for (inter alia) the purpose of the returns made to regulatory bodies.

### **3.4 USA/ Non-USA Designated Risk Codes**

- 3.4.1 Risk codes referring to USA should be applied to risks located/ principally located in the USA and/ or significantly exposed to potential future claims emanating from the USA.
- 3.4.2 Risk codes referring to "EXCL USA" should be applied to those risks located/ principally located outside the USA and/or significantly NOT exposed to potential future claims emanating from the USA.
- 3.4.3 It is recognised that territorial exposure is defined in a variety of ways according to different classes of business. Nevertheless, the principles of the above guidance should be applied.
- 3.4.4 Underwriters must continue to have due regard to the US Classification requirements for US regulated business. Lloyd's risk codes must not be the sole consideration when deciding the allocation of the US Classifications for regulatory purposes which must be considered separately.

### **3.5 New Risk Codes in 2010**

- 3.5.1 In 2009, Lloyd's Franchise Performance Directorate was in consultation with the LMA/Market on risks which required further granularity. The review process resulted in the disaggregation of some of the more broadly-defined codes into more detailed classifications. This has resulted in the retirement of certain broader codes and the introduction of some new risk codes.
- 3.5.2 The inactive codes, business under which will be reallocated to appropriate alternative codes, will be retired with effect from 01/01/2010. At this point, the alternative codes have been re-defined to accommodate this reallocation.
- 3.5.3 The exception is the introduction of the Energy Construction Offshore risk code EC. Business was previously reported under the Energy Offshore risk code ET which will still remain active.

Please note: the new risk codes are available and should be used for all risks attaching on/after 01/01/2010 and for all returns to Lloyd's including the forecasted figures for the 2010 year of account in respect of the Syndicate Business Forecasts.

3.5.4 Appendix 3 to these guidance notes lists all retired codes and their respective new codes or substitute codes, as applicable. See also sections 4.3 and 4.4.

### **3.6 Binding Authorities and Covers**

3.6.1 As with all business, binding authorities and covers (including master slips) must be referred to the leading underwriter for classification.

3.6.2 Section 3.5 above refers to the introduction of a range of new risk codes. As noted in section 3.5, the new codes should only be allocated to business that incepts on or after 01/01/2010. Therefore with binders and covers which incept prior to 01/01/2010, all declarations, even where these may attach on or after 01/01/2010 (and/or where related premium is signed into the 2010 or subsequent years of account), must be processed using the old “aggregated” risk codes (XL & W2).

3.6.3 Where binders and covers include a mixture of risk categories, underwriters should refer to “Multiple Risks” for further guidance (see section 3.3).

### **3.7 Coding of Claims**

3.7.1 The risk code allocated to a claim should be the same as that established for the premium relating to the same risk. This ensures that syndicates records can be aggregated by risk code to describe a complete book of business.

## **4 GUIDANCE FOR SPECIFIC RISK CODES/ CLASSES OF BUSINESS**

### **4.1 Accident & Health**

#### **Personal Accident and Health Carve Out**

4.1.1 Risk code KA is to be used for the provision of PA Benefits where a pre-determined sum is payable for stated benefits which are also limited by time (e.g. 52 weeks) and are ‘carved out’ of any legal liability policy. This classification cannot be used for any business which included any form of legal liability either directly or indirectly where the amount of loss payable may be subject to a court award or negotiated settlement.

### **4.2 Aviation**

#### **Airline/ General Aviation**

4.2.1 “Airline” is defined as large and/ or high-valued and/ or high impact exposed commercial passenger/cargo carrying airliners/ airline fleets.

“General Aviation” is defined as any other aircraft including small commercial operations, corporate jets, helicopters and other private aircraft.

Underwriters should note that, for large package risks, hull and liability exposures should be coded separately.

### **Aviation XL**

4.2.2 A code of practice was introduced for the 1997 Underwriting Year and XIS will be monitoring compliance with the code of practice. This code applies to all types of aviation business and provisions include:

- The leading Lloyd's Underwriter of every slip at the time of originally writing each risk (not when he enters the risk or when he finalises his line) must complete the risk code on panel 1 of the slip and initial it. XIS is instructed to reject all slips that are not initialled by the leading Lloyd's Underwriter.
- For proportional treaties involving both hull and liability risks, leading Lloyd's Underwriters should use risk codes H2 and/ or H3 and L2 and/ or L3. The leading Underwriter must agree with the placing broker at the time of writing the risk that the cedant can provide an accurate split of all premiums, claims and outstandings.
- Lineslips of a combined hull and liability nature must use risk codes H2 and/ or H3 and L2 and/ or L3. Numeric codes must not be used for this business.
- Entries through LORS for non-proportional (i.e. excess of loss reinsurances) of Lloyd's Syndicates must be allocated the same risk code as the original assured business being protected.

## **4.3 Casualty/ Liability**

### **NM Casualty Treaty**

4.3.1 Risk code XL, which applies to all non-marine casualty/ liability excess of loss risks, will be replaced by the following codes:

XF: NM Liability Excess of Loss in USA

XG: NM Liability Excess of Loss excluding USA

Please note that new codes should be used for all business incepting on or after 01/01/2010 (see section 3.5 for further guidance).

### **Employers Liability**

4.3.2 Risk code W2, which applies to US workers compensation risks, will be replaced by the following codes:

W5: US Workers Compensation Per Person Exposed

W6: US Workers Compensation Catastrophe Exposed

Please note that new codes should be used for all business incepting on or after 01/01/2010 (see section 3.5 for further guidance).

### **Directors & Officers**

4.3.3 Selection of either the D2 or D4 risk codes should be based upon whether or not the insured has in excess of 5% of total shareholding traded on the New York Stock Exchange, NASDAQ, or any other recognised

US stock exchange. However, Underwriters should always be mindful of the overriding guidance given at section 3.4 above "USA/ non-USA" designated codes".

## 4.4 Energy

4.4.1 The definition of energy business is as follows:

"Oil, Gas and Sulphur Exploration, Drilling and Production in the field, including oil, gas and sulphur refining, processing and sale of finished products".

Please note, Energy does not include business otherwise defined as "Operational Power Generation Transmission and Utilities", refer to section 4.8.

### Energy Offshore

4.4.2 A new risk code is being introduced which aims to capture business written under a distinct risk, namely Energy Offshore Construction, risk code "EC". This is specific to construction and was previously written under risk code ET (Energy Search Prod vessels and Offshore Prop Excl WRO).

EC: Energy Construction Offshore Property & Search Prod Vessels Excl WRO

Please note that new codes should be used for all business incepting on or after 01/01/2010 (see section 3.5 for further guidance).

## 4.5 Financial Guarantee

4.5.1 Financial Guarantee insurance is defined in Annexe 1 to Market Bulletin Y3226 of 23/12/2003:

[http://www.bulletins.lloydsolondon.com/bulletins/mktcirc.nsf/mktBulletins/Y3226/\\$file/Y3226.pdf](http://www.bulletins.lloydsolondon.com/bulletins/mktcirc.nsf/mktBulletins/Y3226/$file/Y3226.pdf)

4.5.2 Business which falls under any of the risk codes BS, CF, CN, CP, CR, FS, FM, FC and SB is regarded as exempted financial guarantee insurance ("the exempted classes").

4.5.3 Please note that risk code SB does not apply to risks concerning WCA Self-Insurer's Surety Bonds. Such risks should be allocated to risk code WC or W2 depending on when the policy incepted.

4.5.4 Financial Guarantee insurance falling within the scope of the exempted classes may be written without the specific prior approval of Lloyd's, subject to the following:

- premium income due to a syndicate under the exempted classes may not exceed 2% in total of that syndicate's allocated capacity in any one year of account. However, in addition to this a syndicate may accept premium income under risk code CR of up to 5% of its allocated capacity. Thus, if a syndicate writes the maximum of all permitted premium income under these risk codes, the resulting income can comprise up to 7% of its allocated capacity in any one year of account;

- prior written notice being given to members that they will be underwriting financial guarantee business; and
- particular attention being paid by managing agents to the monitoring and analysis of aggregate exposures which should as a minimum be performed at country level as well as in total.

4.5.5 Any other financial guarantee insurance may only be underwritten with the prior written approval of Lloyd's. Please refer to Market Bulletin Y3226 (see link in section 4.5.1).

Approval may be sought to write individual contracts of financial guarantee insurance, or for a particular syndicate to write specific classes of financial guarantee insurance. The latter must be allocated the "FG" risk code which was introduced with effect from the 2001 year of account.

## 4.6 Political Risk

4.6.1 Political risk insurance (risk code PR) is not specifically defined and includes, but is not limited to, land-based confiscation risks, force majeure, contractors plant and equipment and expropriation of tangible assets by a foreign government.

4.6.2 However, certain so-called political risks must be classified as Contract Frustration (risk code CF) if, whilst the underlying cause of an insured loss may be a political risk event, the loss would clearly be predicated on the repudiation or frustration of the contract or agreement to which the insurance relates.

4.6.3 Furthermore, the intention is that there should be no compensation under political risk insurance where loss is caused by the action/inaction of a foreign governing authority in its capacity or through its powers as a purchaser, supplier, creditor, shareholder, director or manager of a foreign enterprise to which the political risk insurance relates.

## 4.7 Property (Direct & Facultative)/ Power Generation

4.7.1 Risk code PG was introduced in year of account 2008. This is a specialist class usually written under Property Direct and Facultative generic risk code.

4.7.2 PG is defined as "Operational Power Generation Transmission and Utilities excluding Construction". Business reported under this code should include:

- Property damage, business interruption and machinery breakdown
- US and non-US business
- Primary, excess layers and full value (please see below for definitions)

4.7.3 More specifically, the code covers physical damage and business interruption to plant dedicated to the generation and distribution of electricity (coal, gas, hydro, geothermal, wind and wave). The main perils being Fire, Natural Perils (flood) and Machinery Breakdown, the latter being the main historical cause of loss. The PG risk code will continue to exclude construction which should be coded CA.

4.7.4 The code PG should not be confused with Onshore Energy (EF) which covers onshore production, refinement and processing of oil, gas and sulphur. However syndicates writing liabilities arising out of power generation should continue to code these risks as EA (onshore claims made) or EB (onshore losses occurring).

4.7.5 The property risk codes (B2, B3, B4, B5, P2, P3, P4, P5, P6 & P7) relate to all risks of physical loss or damage written on a direct or facultative basis. The following risks should NOT be included under these risk codes:

- Proportional and non-proportional treaty reinsurance business;
- Energy business defined as “Oil, Gas and Sulphur Exploration, Drilling and Production in the field, including oil, gas and sulphur refining, processing and sale of finished products”;
- UK household business (risk code HP should continue to be allocated to this business),
- Business more suitably coded to another specific code such as AG, CA or GS, and;
- Power Generation defined as “Operational Power Generation Transmission and Utilities excluding Construction”
- Construction/Engineering risks

4.7.6 Terms used in risk codes P2-P7 are defined as follows:

- “Full value” refers to a direct or facultative property risk that provides coverage in one contract for the total sum insured;
- “Primary” refers to the first layer of a direct or facultative property risk that has been structured on a layered basis, with the upper layer(s) being placed as a separate contract;
- “Excess layer” refers to the upper layer(s) of a direct or facultative property risk that has been structured on a layered basis, the primary layer being placed as a separate contract.

4.7.7 Underwriters should refer to “USA/non-USA designated codes” (see section 3.4) and to “Multiple Risks” (see section 3.3) for guidance on global and/or package policies.

## **4.8 Property Catastrophe Excess of Loss**

4.8.1 The Property Whole Account Excess of Loss risk codes (XA, XJ, XU & XR) should be used to denote where the underlying exposures are located. In the case of global treaties, the leading underwriter should endeavour to sub-divide the exposures between the new risk codes with an appropriate division of premium. Where a slip contains more than one risk code, reinstatement premium should be allocated to the same code to which the claim applies.

4.8.2 Underwriters should refer to “Multiple Risks” (see section 3.3) and “USA/non-USA designated codes” (see section 3.4) for guidance on global and/or package policies.

4.8.3 The table below provides a list all territories that fall under risk code XU.

Åland Islands	Faeroe Islands	Latvia	San Marino
Albania	Finland	Liechtenstein	Serbia
Andorra	France	Lithuania	Slovakia
Austria	Germany	Luxembourg	Slovenia
Belarus	Gibraltar	Macedonia	Spain
Belgium	Greece	Malta	Svalbard and Jan Mayen Islands
Bosnia and Herzegovina	Guernsey	Monaco	Sweden
Bulgaria	Holy See (Vatican City State)	Netherlands	Switzerland
Channel Islands	Hungary	Norway	Turkey
Croatia	Iceland	Poland	UK
Cyprus	Ireland	Portugal	Ukraine
Czech Republic	Isle of Man	Republic of Moldova	
Denmark	Italy	Romania	
Estonia	Jersey	Russian Federation	

## 4.9 Temporary Life and Permanent Health

4.9.1 It should be noted that only permanent health providing benefits against persons becoming incapacitated in consequence of sustaining injury as a result of an accident or of sickness or infirmity where the contract is in effect for a period of not less than five years, or until normal retirement age, or without limit of time and is not expressed to be terminable needs to be coded TL. Please refer to the following market bulletin for further information:

[http://www.bulletins.lloydsolondon.com/bulletins/mktcirc.nsf/mktBulletins/Y2243/\\$file/Y2243.pdf](http://www.bulletins.lloydsolondon.com/bulletins/mktcirc.nsf/mktBulletins/Y2243/$file/Y2243.pdf)

In all other cases the appropriate Accident and Health risk code should be selected.

## 4.10 Terrorism

### UK-specific Requirements

4.10.1 The mutual terrorism reinsurance company Pool Reinsurance Company (Pool Re.) was established in December 1992 in the light of the UK government's willingness to act as reinsurer of last resort for damage resulting from terrorist attacks. Cover is for risks in Great Britain only and does not include Northern Ireland, Isle of Man or Channel Islands.

4.10.2 All business processed by XIS for UK Terrorism written by syndicates participating in Pool Re. must be allocated risk code BD. This code is valid for 1993 year of account and later and is classified for solvency purposes as non-marine short tail.

4.10.3 Where non-participating syndicates underwrite UK terrorism the risk code TU must be allocated. TU must be used where this peril is the only one being covered and where this peril is covered in conjunction with other perils.

### **Overseas Territories in General**

4.10.4 Risks which cover the peril of non-marine physical damage caused by terrorist acts to assets located in overseas territories should be denoted using the TO risk code. This risk code must be used both where this peril is the only one being covered, and where this peril is covered in conjunction with other perils in which case the terrorism portion should be split out and coded accordingly. This risk code must not be used to denote terrorism coverage which is provided as a result of overseas legislative requirements, as separate codes exist for this purpose.

### **Specific Overseas Territories**

4.10.5 In January 2003, 12 new terrorism risk codes were introduced. Whilst this was prompted by legislation in the US, these new codes are intended for use with any business where terrorism coverage is being provided in response to legislative requirements in an overseas territory. Such legislative requirements have, as of June 2004, also been introduced in Australia and France.

4.10.6 To date, inward reinsurance has not been included in the scope of any terrorism-specific legislation. At present, the new terrorism codes should not, therefore, be used on reinsurance business.

4.10.7 The risk codes tables that appear as appendices to this guidance show how risk codes map to the new terrorism codes.

4.10.8 A new terrorism code must not be used alone, but in conjunction with an appropriate non-terrorism risk codes. Where more than one code is used on the applicable policy, it will be necessary to select more than one new terrorism code unless all the original codes map to a single new terrorism code.

4.10.9 For Australian and French business to which, respectively, the AITA and GAREAT regimes apply, the new terrorism risk codes must be used on all applicable business i.e. irrespective of whether or not the syndicate has opted into the reinsurance arrangements set up under these regimes. In the US, the latter does not arise because no insurer to which TRIA applies is permitted to opt out: the new terrorism codes must therefore be used on all applicable US business.

4.10.10 Please note: the detailed application of the new terrorism codes differs according to which overseas legislation applies to the business in question. Detailed risk code-specific guidance has therefore been provided to the market in a number of market bulletins, as follows:

#### **US TRIA**

New Risk Codes: Y2968 of 9/1/2003:

[http://www.bulletins.lloydsolondon.com/bulletins/mktcirc.nsf/mktBulletins/Y2968/\\$file/Y2968.pdf](http://www.bulletins.lloydsolondon.com/bulletins/mktcirc.nsf/mktBulletins/Y2968/$file/Y2968.pdf)

Further Guidance on Coding: Y3014 of 17/3/2003:

[http://www.bulletins.lloydsoflondon.com/bulletins/mktcirc.nsf/mktBulletins/Y3014/\\$file/Y3014.pdf](http://www.bulletins.lloydsoflondon.com/bulletins/mktcirc.nsf/mktBulletins/Y3014/$file/Y3014.pdf)

### **Australia - ATIA**

Use of Risk Codes: Y3126 of 28/8/2003:

[http://www.bulletins.lloydsoflondon.com/bulletins/mktcirc.nsf/mktBulletins/Y3126/\\$file/Y3126.pdf](http://www.bulletins.lloydsoflondon.com/bulletins/mktcirc.nsf/mktBulletins/Y3126/$file/Y3126.pdf)

NB: The first part of Section 4.5 of Y3126 was included in error: ATIA applies only to policies which exclude terrorism. Given that policies which expressly cover terrorism do not contain such exclusions, they will not fall within ATIA and should not, therefore, be processed using the new terrorism codes. The second part of Section 4.5, commencing "Please note..." is correct.

Premium Apportionment Across Codes: Section 2 and Appendix 1 of Y3210 of 15/12/2003:

[http://www.bulletins.lloydsoflondon.com/bulletins/mktcirc.nsf/mktBulletins/Y3210/\\$file/Y3210.pdf](http://www.bulletins.lloydsoflondon.com/bulletins/mktcirc.nsf/mktBulletins/Y3210/$file/Y3210.pdf)

### **France – GAREAT**

The requirement to use the new terrorism risk codes also applies to GAREAT business, and was established by section 5.2 of Market Bulletin Y3014 (see link above), which states that:

"The 12 new terrorism risk codes must be used for French GAREAT risks incepting on or after 1st July 2003. They are mandatory for use in relation to this business. Slips must make clear the nature of the coverage being supplied and show the geographic exposure as "France". This coding approach is necessary so that Lloyd's has the ability to analyse in detail the business written under the new risk codes for RDS and risk management purposes."

## **4.11 Third Party Reinsurance To Close (RITC)**

- 4.11.1 Third Party Reinsurance To Close business must be allocated the risk code TC. Whilst the introduction of this risk code avoids the need to allocate RITC premium to individual risk codes when signing through XIS, XIS will be unable to break down this business. As a result, in order for Lloyd's to collect information for regulatory reporting purposes (e.g. by DTI class of business) managing agents will need to maintain details by risk code, currency, and originating year of account for risks being reinsured.

Agents should note, however, that for the purposes of the Solvency and Reserving Data ("SRD") return, risk code TC must not be used. Instead, agents should provide premium and claims data by original risk code, currency and year of account.

## **4.12 War on Land - Including Sendings by Land**

- 4.12.1 In 1997, Lloyd's War, Civil War and Financial Guarantee Committee agreed to allow Underwriters to insure foreign assets (including land cargo) against war risks, subject to the fulfilment of certain requirements. In general, WL cover may only be provided for a maximum of 12 months (plus extensions of no more than 6 months, to be granted no earlier than 6 months into the coverage), for assets which are not located in the policyholder's principal country of residence.
- 4.12.2 These requirements were amended in 2002 when a system was set up whereby syndicates can seek prior approval to write long-term and/or domestic WL ("LDWL") business, subject to fulfilment of certain reporting and monitoring requirements. Such prior approval must be sought before LDWL business is

underwritten. For further information, please see Market Bulletin Y2825 of 28/6/2002:

[http://www.bulletins.lloydsolondon.com/bulletins/mktcirc.nsf/mktBulletins/Y2825/\\$file/Y2825.pdf](http://www.bulletins.lloydsolondon.com/bulletins/mktcirc.nsf/mktBulletins/Y2825/$file/Y2825.pdf)

- 4.12.3 The premium income for business coded WL must not exceed 2.5% of syndicates' allocated capacity for each year of account. Underwriters are reminded that where war on land is reinsured for loss damage or liability caused by war or civil war the proportion of the overall reinsurance premium relating to this risk should be allocated to risk code WL.
- 4.12.4 The war cover provided by the Comprehensive Contractors Plant Insurance wording LSW276 is the same as that provided under the war on land exception to the War and Civil War Risk Exclusion Agreement in that it covers equipment overseas. Lloyd's therefore concluded that, commencing with the 1998 account, the war section of LSW276 must be allocated to risk code WL and be subject to the premium income limit of 2.5% applicable to that risk code. Other risk codes, including PR and TO should be used to denote the other aspects of this coverage.