

RISK CODES

GUIDANCE AND MAPPINGS

AUGUST 2011

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 main but 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) Various Lloyd's requirements for the monitoring of performance and reporting of business to various interested parties including domestic and overseas regulators, capital providers and rating agencies.

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 minimum level of detail which can be supplemented by managing agents' own risk recording systems 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 doing so and in these instances the LMA will be consulted. In addition, underwriters may request new codes. In these circumstances requests must always be made via the LMA and on receiving the Association's support, the LMA will then make an approach to Lloyd's Performance Management Directorate.

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 0870 3800830 (option 2) for assistance. The Class of Business section of Lloyd's Performance Management Directorate or the Lloyd's Market Association 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 of a policy must also be used by all following Lloyd's underwriters on that policy or section. XIS has been instructed to reject policies which are processed by them and which have 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. In the case of policies not processed by XIS it is the responsibility of following Lloyd's syndicates to ensure that they apply the same risk code as the Lloyd's leader and, if applicable, obtain the leader's agreement to any variation of that risk code.

3.2 New Risk Codes in 2012

3.2.1 In 2011, Lloyd's Performance Management Directorate received requests via the LMA for certain risk codes to be split into two and for appropriate revised descriptions to be applied. As a result of these requests and following consultation, two of the more broadly-defined codes are being disaggregated into more detailed classifications.

3.2.2 This has resulted in risk code XG (currently "NM LIABILITY EXCESS OF LOSS EXCL USA") being amended to apply only to ("NM LIABILITY EXCESS OF LOSS FOR CLAIMS MADE OR LOSSES DISCOVERED EXCL USA") and the introduction of a new risk code, XH (applying to "NM LIABILITY EXCESS OF LOSS FOR OCCURRENCE EXCL USA").

3.2.3 In addition, risk code AG ("AGRICULTURAL CROP AND FORESTRY") has been amended to cover only excess loss treaty, including stop-loss, relating to agricultural crop and forestry business, thus excluding all direct, facultative and pro rata treaty business while HA, (currently "HAIL") has been amended to cover agricultural crop and forestry business written on a direct, facultative and pro rata treaty basis.

3.2.4 Risk code HA (currently "HAIL") will effectively become inactive in respect of non agricultural hail business with effect from 01/01/2012, from which date it should only apply to agricultural business. Non-agricultural hail business should be allocated to either one of the motor codes or DC ("DIFFERENCE IN CONDITIONS"), which ever is most appropriate, with effect from 01/01/2012.

3.2.5 Please note: the new risk codes are available and should be used for all risks attaching on/after 01/01/2012 and for all returns to Lloyd's including the forecasted figures for the 2012 year of account in respect of the Syndicate Business Forecasts.

3.3 Selection of Codes

3.3.1 Some risk codes are very specific, for example HP applicable to UK household insurance, and some broadly generic, for example T applicable to most risks in respect of vessels. All insurance and reinsurances should be coded under the category of business which is most specific and which most appropriately reflects the business being underwritten. If there is no specific classification, the leading

underwriter should use best judgement to select the most appropriate code(s).

- 3.3.2 Risk codes may be specific as to territory, policy form (for example claims made or occurrence) or other criteria. Guidance on applying such criteria is contained in section 4.
- 3.3.3 Should the contract include other classes of business and/ or cover for 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 3.5).
- 3.3.4 Premium relating to business for which specific premium income limits and/or 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 CF, CR, FG, FM, SB (please refer to section 4.5), and WL (please refer to section 4.12).
- 3.3.5 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 3.6).
- 3.3.6 In order to assist underwriters, a table is provided to this guidance labelled ‘Risk Code Mappings and Full Descriptions’ which lists the risk codes with full extended definitions.

3.4 Reinsurance

Inwards Reinsurance

Facultative reinsurance

- 3.4.1 All facultative reinsurance risks, whether first loss, proportional or excess of loss, should be coded using the same risk code(s) that would apply if the risk were direct.

Proportional reinsurance treaties

- 3.4.2 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 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 3.5 below).

Non-proportional reinsurance treaties

- 3.4.3 All non-proportional treaties applicable to specific classes of business should be coded with the most appropriate specific inwards excess of loss code listed and should NOT be allocated to one of the specific direct codes. Where there is no specific code listed for the business being protected, underwriters should use the most appropriate whole account non-proportional treaty code. For example, a direct or facultative professional indemnity (re)insurance would carry one of the E2 to E9 codes (“PROF INDTY E AND O ...”) but one of codes XF, XG and XH (“NM LIABILITY EXCESS OF LOSS ...”) should be selected when protecting an insurer’s specific book of professional indemnity business on an excess of loss treaty basis. Underwriters should note that the term “excess loss treaty” should apply to all types of non-proportional treaties (i.e. including aggregate excess and stop loss).

- 3.4.4 Where the reinsurance protects all the writings of an insurer or reinsurer, the appropriate whole account excess of loss (or whole account excess of loss on excess of loss) treaty reinsurance code should be selected, for example, XT (“MARINE WHOLE ACCOUNT XOL INCL WAR” or X2 (“MARINE XOL ON XOL INCL WAR”). Underwriters should note that these codes apply to all types of non-proportional whole account treaties (i.e. including aggregate excess and stop loss).
- 3.4.5 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, for example X1 (“AVIATION EXCESS OF LOSS ON EXCESS OF LOSS”), X2 (“MARINE XOL ON XOL INCL WAR”) and X3 (“NM PROP OR PECUNIARY LOSS XOL ON XOL RETROCESSION”). 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.
- 3.4.6 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 (“AVIATION WHOLE ACCOUNT XOL INCL WAR EXCL XOL ON XOL”) applies and if XOL on XOL is included then risk code X1 (“AVIATION EXCESS OF LOSS ON EXCESS OF LOSS”) is to be used irrespective of the amount of XOL on XOL exposure.

Outwards Reinsurance

- 3.4.7 Risk code SR (“AGG STOP LOSS AND XOL MARINE OUTWARD WHOLE ACCOUNT”), is the only risk code intended to apply solely to outwards reinsurance business and 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.

3.5 Multiple Risks

- 3.5.1 For insurances providing coverage across two or more risk codes (including those denoting both risk and territorial exposure) and in particular large global policies, 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.
- 3.5.2 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 3.6).
- 3.5.3 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.

3.6 USA/ Non-USA Designated Risk Codes

- 3.6.1 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.
- 3.6.2 Risk codes referring to “EXCL USA” should be applied to those risks located/ principally located outside the USA and/or those NOT significantly exposed to potential future claims emanating from the USA.
- 3.6.3 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.
- 3.6.4 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. Guidance on US classification requirements are contained in [Market Bulletin Y4173 “US Classifications on Market Reform Contracts” date 4 August 2008](#).

3.7 Binding Authorities and Covers

- 3.7.1 As with all business, binding authorities and covers (including master slips) must be referred to the leading underwriter for classification.
- 3.7.2 With the exception of business falling under risk codes B2, B3, B4 and B5 (“PHYS DAMAGE BINDER FOR ... PPTY IN ...”), all binding authorities should be allocated to the appropriate risk code applicable to direct business (unless a treaty excess of loss risk code for that risk is available). Please note that property treaty, whether pro rata or excess of loss, is not considered to be business falling under risk codes B2, B3, B4 and B5 and should accordingly be allocated to the appropriate risk code for reinsurance business.
- 3.7.3 Where property business (direct, fac or treaty) is written through service companies, underwriters should use the same risk codes that would apply if the risks were written directly into the syndicate. Therefore, they should use the ‘P’ codes for direct and open market facultative risks and the ‘X’ codes for treaty. Risk codes B2-B5 should only be used for direct property risks written through 3rd party coverholders with delegated authorities (note: risk code HP still applies to UK household business).
- 3.7.4 Where binders and covers include a mixture of risk categories, underwriters should refer to “Multiple Risks” for further guidance (see section 3.5).

3.8 Coding of Claims

- 3.8.1 The risk code allocated to a claim should be the same as that established for the premium relating to the same risk. Where a risk has been allocated to multiple risk codes (see section 3.3 above), the leading underwriter should select the risk code appropriate to the peril from which the claim results or the territory in which the claim arises as appropriate.

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 (“PERSONAL ACCIDENT AND HEALTH CARVE OUT”) 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 includes 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. For such business an appropriate liability risk code should be used.

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 hull and liability exposures should be coded separately.

- 4.2.2 A code of practice was introduced for the 1997 Underwriting Year and XIS has been monitoring compliance with it. This code applies to all types of aviation business.

4.3 Casualty/ Liability

- 4.3.1 Certain liability categories require underwriters to denote whether the wording is on a claims made or losses occurring basis (e.g. NA/ NC and XF/ XG).

Directors & Officers

- 4.3.2 For the purposes of determining which of the risk codes D2 to D5 (“D AND O LIAB ...”) is applicable, 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 in section 3.6 above regarding “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 4.7).

Energy Offshore

4.4.2 The energy risk codes were revised with effect from 01/01/2011 to provide a split between risks including Gulf of Mexico wind and risks excluding GOM wind.

- Risk code ET has been replaced by EM (“ENERGY SEARCH PROD VSSLS AND OFFSHORE PROP GOM WIND EXCL WRO EXCL CONSTRUCTION”) and EN (“ENERGY SEARCH PROD VSSLS AND OFFSHORE PROP EXCL GOM WIND EXCL WRO EXCL CONSTRUCTION”).
- Risk code EW has been replaced by EY (“ENERGY OPERATORS XTRA EXPENSES AND CONTROL OF WELL GOM WIND”) and EZ (“ENERGY OPERATORS XTRA EXPENSES AND CONTROL OF WELL EXCL GOM WIND”).

4.5 Financial Guarantee

4.5.1 Financial Guarantee insurance is defined in Annexe 1 to Market Bulletin Y4396 of 7 May 2010:

<http://www.lloyds.com/NR/rdonlyres/5696EFA7-39AE-48C0-A00D-9559CD09E9DE/0/Y4396a.pdf>

4.5.2 Business which falls under any of the risk codes CF (“CONTRACT FRUSTRATION IN ACCORD MKT BULLETIN 4386 DATED 07/05/2010”), CR (“CREDIT BUSINESS IN ACCORD MKT BULLETIN 4386 DATED 07/05/2010”), FM (“MORTGAGE INDEMNITY”), and SB (“SURETY BOND REINSURANCE”) is regarded as exempted financial guarantee insurance (“the exempted classes”).

4.5.3 It should be noted that risk code SB does not apply to risks concerning WCA Self-Insurer's Surety Bonds. Such risks should be allocated to risk code W4, W5 or W6 (“WORKERS COMP”) depending on the nature of the underlying WCA coverage.

4.5.4 Any other financial guarantee insurance may only be underwritten with the prior written approval of Lloyd's Performance Management Directorate. Please refer to Market Bulletin Y4396 (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. These must be allocated the FG (“FINANCIAL GUARANTEE”) risk code.

4.6 Political Risk

4.6.1 Political risk insurance, risk code PR (“POLITICAL RISK EXCL CONFISCATION VESSELS AIRCRAFT”) is not more specifically defined and includes, but is not limited to, land-based confiscation risks, force majeure, contractor's 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 business classified as PR should not include cover for loss that 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

Engineering and Contractors All Risks

4.7.1 With effect from 01/01/2011, risk code CA (which was defined as “ENGINEERING INCL MCHY AND BOILERS CAR AND ENG AR”) has been replaced by CB (“ENGINEERING ANNUAL RENEWABLE INCL CAR EAR MB CPE B&M EEI AND TREATY LOD”) and CC (“ENGINEERING SINGLE PROJECT NON RENEWABLE INCL CAR EAR AND TREATY RAD”).

4.7.2 CB risk code is for annually renewable covers including CAR, EAR, CPE (Contractor’s Plant and Equipment), MB (Machinery Breakdown), B&M (Boilers and Machinery), EEI (Electronic Equipment insurance), Computer all Risks, and treaty LOD. Treaties may be written on a proportional (covering annual business) or non-proportional (LOD) basis.

4.7.3 CC risk code is for Single Project non-renewable covers including CAR, EAR and treaty (RAD). Treaties may cover single projects written on a proportional or non-proportional (RAD) basis.

4.7.4 For electronic breakdown insurance on domestic appliances, the WA (“EXTENDED WARRANTY”) code should be used.

Power Generation

4.7.5 Risk code PG was introduced in year of account 2008. This is a specialist class which had usually written under a property direct and facultative generic risk code.

4.7.6 PG is defined as “OPERATIONAL POWER GENERATION TRANSMISSION AND UTILITIES EXCL 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 refer to section 4.7.10).

4.7.7 More specifically, the risk 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 are Fire, Natural Perils (flood and earthquake) and Machinery Breakdown. The PG risk code will continue to exclude construction which should be coded CB or CC.

4.7.8 The code PG should not be confused with Onshore Energy, EF (“ENERGY ONSHORE PROPERTY”) 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 (“ENERGY LIABILITY ONSHORE CLAIMS MADE”) or EB (“ENERGY LIABILITY OFFSHORE ALL OTHER”).

Property Direct & Facultative (other than where more specific risk codes have been assigned)

4.7.9 The property risk codes (B2, B3, B4, B5, P2, P3, P4, P5, P6 and 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 property 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, where risk code HP (“UK HOUSEHOLD BUSINESS”) should continue to be allocated to this business.
- Engineering and contractors all risks business, where risk codes CB (“ENGINEERING ANNUAL RENEWABLE INCL CAR EAR MB CPE B&M EEI AND TREATY LOD”), CC (“ENGINEERING SINGLE PROJECT NON RENEWABLE INCL CAR EAR AND TREATY RAD.
- Power Generation, PG (“OPERATIONAL POWER GENERATION TRANSMISSION AND UTILITIES EXCL CONSTRUCTION”).
- Certain other more specific classes such as HA (“AGRICULTURAL CROPS AND FORESTRY”) and GS (“GENERAL SPECIE INCLUDING VAULT RISK”).

4.7.10 The terms used in the descriptions of 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 a “first loss” insurance or 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(s) or section of a contract(s).
- “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(s) or section of a contract(s).

4.7.11 Underwriters should refer to “USA/non-USA designated codes” (see section 3.6) and to “Multiple Risks” (see section 3.5) 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 (“NM PROPERTY OR PECUNIARY LOSS WHOLE ACCOUNT XOL IN USA, XJ (“NM PROPERTY OR PECUNIARY LOSS WHOLE ACCOUNT XOL IN JAPAN”), XU (“NM PROPERTY OR PECUNIARY LOSS WHOLE ACCOUNT XOL IN ALL OF EUROPE INCL UK” and XR (NM PROPERTY OR PECUNIARY LOSS WHOLE ACCOUNT XOL IN REST OF WORLD”) 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, any reinstatement premium payable should be allocated to the same code to which the claim applies.

4.8.2 Underwriters should refer to “Multiple Risks” (see section 3.5) and “USA/non-USA designated codes” (see section 3.6) for guidance on global 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 Health insurance that provides benefits for persons being incapacitated in consequence of sustaining injury as a result of an accident or of sickness or infirmity for a period of five years or greater or until normal retirement age of the insured person or without limit of time must be coded as TL and may only be written by Term Life syndicates. For other information regarding term life insurance, please refer to the following market bulletin:

<http://www.lloyds.com/~media/Files/The%20Market/Communications/Market%20Bulletins/Market%20bulletins%20pre%2005%202010/2000/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 ("TERRORISM POOL RE"). This code is valid for 1993 year of account and later.

Where non-participating syndicates underwrite UK terrorism the risk code TU (“UK STAND ALONE TERRORISM WHICH IS NON POOL RE”) must be allocated. TU must be used whether this peril is the only one being covered or it is being covered in conjunction with other perils.

Specific Territories outside the UK

- 4.10.3 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 business anywhere in the world where terrorism coverage is being provided in response to legislative requirements. For example, such legislative requirements are in place in Australia and France.
- 4.10.4 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.
- 4.10.5 The risk codes tables that appear as appendices to this guidance show how risk codes map to the new terrorism codes.
- 4.10.6 A new terrorism code must not be used alone, but in conjunction with an appropriate non-terrorism risk code. 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.
- 4.10.7 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, this consideration 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.
- 4.10.8 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/TRIEA/TRIPRA

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

<http://www.lloyds.com/~media/Files/The%20Market/Communications/Market%20Bulletins/Market%20bulletins%20pre%2005%202010/2003/Y2968.pdf#search=Y2968>

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

<http://www.lloyds.com/~media/Files/The%20Market/Communications/Market%20Bulletins/Market%20bulletins%20pre%2005%202010/2003/Y3014.pdf>

Australia - ATIA

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

<http://www.lloyds.com/~media/Files/The%20Market/Communications/Market%20Bulletins/Market%20bulletins%20pre%2005%202010/2003/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.lloyds.com/~media/Files/The%20Market/Communications/Market%20Bulletins/Market%20bulletins%20pre%2005%202010/2003/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."

Overseas Territories in General

- 4.10.9 Risks which cover the peril of non-marine physical damage caused by terrorist acts to assets located in overseas territories other than those listed in 4.10.3 to 4.10.8 above should be denoted using the TO ("OVERSEAS STAND ALONE TERROR EXCL "1T" to "8T" & "1E" to "4E"") 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.

4.11 Third Party Reinsurance To Close (RITC)

- 4.11.1 Third Party Reinsurance To Close business must be allocated the risk code TC ("COMMERCIAL RITC"). 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 A Lloyd's Bulletin, Y4483, "The Underwriting of War, Civil War and Related Perils", was issued on 4 April 2011. This bulletin includes, inter alia, certain requirements in respect of the writing of War on Land business. Such business should be coded WL ("WAR ON LAND"). If such business is not written on a "stand alone" basis but is a section of a package policy the portion applicable to WL must be split out and allocated to that risk code (see section 3.5, "Multiple Risks").

4.12.2 The war cover provided by the Comprehensive Contractors Plant Insurance wording LSW276 is considered to be War on Land. Therefore the war section of LSW276 must be allocated to risk code WL. Other relevant risk codes should be used to denote the other aspects of LSW276 coverage.