

MARKET BULLETIN

REF: Y4634

Title	LPAN requirements for direct and reinsurance global contracts
Purpose	To inform the Market of the territories where separate LPANs are required when writing direct and reinsurance global contracts
Type	Event
From	Andrew Gurney, Senior Manager, International Licences, International Regulatory Affairs General Counsel Directorate Telephone 020 7327 6677. Email LITA@lloyds.com
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Deadline	With immediate effect
Related links	

Purpose

This market bulletin replaces market bulletin Y4201, dated 28 October 2008 and clarifies the Lloyd's Premium Advice Notice (LPAN) requirements for **both direct global contracts and reinsurance global contracts**. Lloyd's parafiscal and regulatory obligations can of course change and Lloyd's will continue to update this guidance as new requirements arise.

Under a global contract Lloyd's must ensure that taxes and parafiscal charges are collected and paid where they apply. Further, global contracts, covering relevant risk locations, are subject to Lloyd's prudential reporting and trust fund/deposit obligations under its licences worldwide. Lloyd's seeks to ensure that underwriters can accept risks in compliance with the prudential requirements applicable to Lloyd's business model in these territories.

For example, a separate LPAN is needed for the Canadian element of a global reinsurance contract, in order that Lloyd's can ensure that the requirements for "insure in Canada a risk" are met (e.g. the AIF signing process is completed and relevant funds are moved to Lloyd's Canadian Trust Fund). As agreed with the Lloyd's market, this provides assurance to underwriters, brokers and policyholders that the Canadian elements of global reinsurance contracts are considered "insure in Canada a risk" and registered reinsurance under Lloyd's Canadian Trust Fund and reporting arrangements and therefore in accordance with OSFI and provincial requirements.

Premium allocation

When allocating premium to the relevant territories, the underwriter with input from the broker, should apportion premium as appropriate to the particular contract concerned.

It should be noted that in the case of global reinsurance contracts, if cedants are specifically named on the contract then the LPAN(s) should show the premium allocated to each of the territories where cedants are located if they are located in territories listed under Appendix A.

A common sense approach to premium allocation and apportionment should be adopted. Determining premium is in principle a commercial judgment. Consequently if an underwriter decides not to take into account a minor exposure in a particular country, as to do so would not be economic, it is reasonable that no premium is allocated to that country. However the underwriter must be in a position to justify why they have not charged a premium for a particular risk.

LPAN requirements for reinsurance global contracts

A reinsurance global contract is a reinsurance contract that covers insurance companies / cedants located in more than one country.

Lloyd's has reviewed its obligations and as a result has identified those territories for which separate LPANs are required for reinsurance global contracts are detailed in Appendix A.

LPAN requirements for direct global contracts

A direct global contract is an insurance contract that covers risks situated in more than one country. This may arise if, in the case of direct business:

- There is more than one insured on the policy, and those insureds are located in more than one country, or
- The policy covers property at more than one location, and those locations are more than one country, or
- The policy covers more than one aircraft, ship, boat, or vessel and the insured items are not all registered in the same country, if registration is used to determine the legal location of the risk.

Those territories for which separate LPANs are required for direct global contracts are detailed in Appendix B.

Xchanging has been advised that it only needs to query the failure to split out risks into separate LPANS from countries that appear on the lists attached at Appendices A and B.

Further information

If you have any queries about this market bulletin, please contact:

Lloyd's International Trading Advice,

Ground Floor,

Underwriting Room

Telephone: 020 7327 6677

Email: LITA@lloyds.com

www.lloyds.com/crystal

Appendix A - LPAN requirements for reinsurance global contracts

American Samoa	Namibia
Antigua & Barbuda	New Zealand
Australia	Northern Mariana Islands
Barbados	Puerto Rico
Belgium	Singapore
Belize	South Africa
Bermuda	Spain
Brazil	St Kitts & Nevis
BVI	St Lucia
Canada	St Vincent & Grenadines
Cayman Islands	Trinidad & Tobago
Chile	US Minor Outlying Islands
Dominica	US Virgin Islands
Grenada	US - Illinois licensed
Guam	US - Kentucky
Hong Kong	US - other states
Jamaica	Zimbabwe
Mauritius	

Appendix B – LPAN requirements for direct global contracts

American Samoa	Liechtenstein
Antigua & Barbuda	Lithuania
Australia	Luxembourg
Austria	Malaysia
Bahamas	Malta
Barbados	Mauritius
Belgium	Namibia
Belize	Netherlands
Bermuda	New Zealand
BVI	Northern Mariana Islands
Bulgaria	Norway
Canada	Poland
Cayman Islands	Portugal
Cyprus	Puerto Rico
Czech Republic	Romania
Denmark	Singapore
Dominica	Slovakia
Estonia	Slovenia
Finland	South Africa
France	Spain
Germany	St Kitts & Nevis
Greece	St Lucia
Grenada	St Vincent & Grenadines
Guam	Sweden
Hong Kong	Switzerland
Hungary	Trinidad & Tobago
Iceland	UK
Ireland	US Minor Outlying Islands
Israel	US Virgin Islands
Italy	US - Illinois licensed
Jamaica	US - Kentucky
Japan ¹	US - other states
Labuan	Zimbabwe
Latvia	

¹ Only in respect of business meeting the requirements of market bulletin Y4607