

# MARKET BULLETIN

REF: Y4763

<b>Title</b>	LPAN requirements for direct and reinsurance global contracts
<b>Purpose</b>	To inform the Market of the territories where separate LPANs are required when writing direct and reinsurance global contracts
<b>Type</b>	Event
<b>From</b>	Andrew Gurney, Senior Manager, International Licences, International Regulatory Affairs General Counsel Directorate Telephone +44 (0)20 7327 6677. Email <a href="mailto:LITA@lloyds.com">LITA@lloyds.com</a>
<b>Date</b>	27 January 2014
<b>Deadline</b>	With immediate effect
<b>Related links</b>	

## Purpose

This market bulletin replaces market bulletin Y4634, dated 14 November 2012 and clarifies the London Premium Advice Note (LPAN) requirements for **both direct global contracts and reinsurance global contracts**. Please refer to the summary of updates located on the final page of this bulletin.

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", registered reinsurance under Lloyd's Canadian Trust Fund and reporting arrangements and therefore is 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.

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.

It should be noted however that in the case of global reinsurance contracts, if a cedant is specifically named on the contract then premium **must** be allocated to that cedant if they are located in a territory listed under Appendix A.

### **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.

### **NAIC codes**

Lloyd's underwriters and brokers are reminded that any LPAN reinsurance premium allocation to the US must be supported by the NAIC company code of the ceding US reinsured. If the contract reinsures more than one ceding US insurer, the NAIC code of each US cedant must be included. If the cedant does not have an NAIC code, its FEIN may be stated instead. This information permits Lloyd's to complete important regulatory filing schedules, allowing completion of regulatory filings in accordance with Lloyd's accredited/trusteed reinsurer status in the US.

### **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](mailto:LITA@lloyds.com)  
[www.lloyds.com/crystal](http://www.lloyds.com/crystal)

**Appendix A - LPAN requirements for reinsurance global contracts**

Antigua & Barbuda  
Australia  
Barbados  
Belgium  
Belize  
Bermuda  
Brazil  
BVI  
Canada  
Cayman Islands  
~~Chile~~<sup>1</sup>  
Dominica  
Grenada  
Hong Kong  
Jamaica

Mauritius  
Namibia  
New Zealand  
Singapore  
South Africa  
South Korea<sup>2</sup>  
Spain  
St Kitts & Nevis  
St Lucia  
St Vincent & Grenadines  
Trinidad & Tobago  
US<sup>3</sup>  
Vanuatu<sup>4</sup>  
Zimbabwe

---

<sup>1</sup> Removed

<sup>2</sup> New addition

<sup>3</sup> The United States of America include the 50 US states and commonwealths, one district (the District of Colombia) and the following dependent territories: American Samoa, Guam, Northern Mariana Islands, Puerto Rico, the US Virgin Islands, Midway Islands, Wake Island, Johnston Atoll, Baker, Howland & Jarvis Islands, Kingman Reef, Navassa Island and Palmyra Atoll.

<sup>4</sup> New addition

**Appendix B – LPAN requirements for direct global contracts**

Antigua & Barbuda	Liechtenstein
Australia	Lithuania
Austria	Luxembourg
Bahamas	Malaysia <sup>10</sup>
Barbados	Malta
Belgium	Mauritius
Belize	Namibia
Bermuda	Netherlands
BVI	New Zealand
Bulgaria	Norway
Canada	Poland
Cayman Islands	Portugal
Croatia <sup>5</sup>	Romania
Cyprus	San Marino <sup>11</sup>
Czech Republic	Singapore
Denmark	Slovakia
Dominica	Slovenia
Estonia	South Africa
Finland	South Korea <sup>12</sup>
France – Metropolitan	Spain
France – DOMs <sup>6</sup>	St Kitts & Nevis
France – COMs <sup>7</sup>	St Lucia
Germany	St Vincent & Grenadines
Greece	Sweden
Grenada	Switzerland
Hong Kong	Trinidad & Tobago
Hungary	UK
Iceland	US <sup>13</sup>
Ireland	US Virgin Islands
Israel	US – Illinois licensed
Italy	US – Kentucky
Jamaica	US – other <sup>14</sup>
Japan <sup>8</sup>	Vanuatu <sup>15</sup>
Labuan <sup>9</sup>	Zimbabwe
Latvia	

<sup>5</sup> New addition

<sup>6</sup> DOMs = Guadeloupe, French Guiana (la Guyane), Martinique, La Reunion, & Mayotte.

<sup>7</sup> COMS = French Polynesia, Wallis & Fortuna, Saint Martin, Saint Barthelemy, St Pierre et Miquelon, French Southern & Antarctic Lands (Terres Australes et Antartiques) incl Kerguelen Islands, New Caledonia  
For further information in relation to the French DOM's and COM's please refer to Crystal.

<sup>8</sup> Only in respect of business meeting the requirements of market bulletin Y4607

<sup>9</sup> Removed

<sup>10</sup> Removed

<sup>11</sup> New addition

<sup>12</sup> New addition

<sup>13</sup> US includes all US surplus lines business from (with the exception of Kentucky where Lloyd's is permitted to write licensed business only) the 50 US states and commonwealths, one district (the District of Columbia) and the US Virgin Islands.

<sup>14</sup> US – other includes all US surplus lines business from the following dependent territories: American Samoa, Guam, Northern Mariana Islands, Puerto Rico, Midway Islands, Wake Island, Johnston Atoll, Baker, Howland & Jarvis Islands, Kingman Reef, Navassa Island and Palmyra Atoll

<sup>15</sup> New addition

Summary of updates from 2012 bulletin Y4634

	Country	Notes
<b>Appendix A</b>	Chile	Removed
	South Korea	New
	American Samoa	Grouped and replaced under 'US': US - The United States of America include the 50 US states and commonwealths, one district (the District of Colombia) and the following dependent territories: American Samoa, Guam, Northern Mariana Islands, Puerto Rico, the US Virgin Islands, Midway Islands, Wake Island, Johnston Atoll, Baker, Howland & Jarvis Islands, Kingman Reef, Navassa Island and Palmyra Atoll
	Guam	
	Northern Mariana Islands	
	Puerto Rico	
	US Minor Outlying Islands	
	US Virgin Islands	
	US - Illinois licenced	
	US - Kentucky	
	US - other states	
	Vanuatu	New
<b>Appendix B</b>	Croatia	New
	France – Metropolitan	'France' is replaced and now split between Metropolitan, COM's and DOM's
	France – COM's	
	France – DOM's	
	Labuan	Removed
	Malaysia	Removed
	San Marino	New
	South Korea	New
	US	New: US includes all US surplus lines business from (with the exception of Kentucky where Lloyd's is permitted to write licensed business only) the 50 US states and commonwealths, one district (the District of Colombia) and the US Virgin Islands.
	American Samoa	Grouped and replaced under 'US - other': US – other includes all US surplus lines business from the following dependent territories: American Samoa, Guam, Northern Mariana Islands, Puerto Rico, Midway Islands, Wake Island, Johnston Atoll, Baker, Howland & Jarvis Islands, Kingman Reef, Navassa Island and Palmyra Atoll
	Guam	
	Northern Mariana Islands	
	Puerto Rico	
US Minor Outlying Islands		
Vanuatu	New	