

MARKET BULLETIN

REF: Y4967

Title	US Terrorism Risk Insurance Act of 2002, as amended ("TRIPRA 2015"). TRIA reporting
Purpose	To Advise the Market of the Annual Reporting to Calculate Syndicates' Deductibles
Type	Scheduled
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Date	4 February 2016
Deadlines	14 April 2016 and 21 April 2016
Related links	http://www.naic.org/committees_c_surplus_lines_iid_plan.htm

1. Purpose

To inform the market of requirements for reporting premiums to the US National Association of Insurance Commissioners ("NAIC") for the purpose of calculating the deductible under TRIA.

These reporting requirements relate to a syndicate's entire US commercial property & casualty premiums (as defined in TRIA) and not just to premiums received in relation to TRIA.

You are reminded that, additionally, for syndicates with an IID listing the IID Filing Requirements have the same deadlines for completion. Details of that filing are set out in market bulletin Y4965 dated 26 January 2016 and entitled "*Listing of Lloyd's syndicates as eligible surplus lines insurers in the United States annual filing requirements*".

2. Syndicate reporting procedures

All syndicates (with the exceptions noted below) are required to report their relevant premium income for 2015 on the form available from the NAIC website at the following address:

http://www.naic.org/committees_c_surplus_lines_iid_plan.htm [for access hold the cursor over the address and press the 'Ctrl' key and left click with the mouse]. The return is entitled "TRIA Schedule" and is towards the bottom of the right-hand side of the web page.

The return is in the same format as last year and all instructions for this year are in line with what was previously issued. Historical market bulletins and information on TRIA can be found in CRYSTAL on lloyds.com (for help with CRYSTAL please contact LITA – see section 6 of this letter).

The basis on which syndicates should report their premiums is outlined in Appendix 1.

3. Syndicates who must make the TRIA deductible return

Every syndicate that was trading in 2015 must make a TRIA deductible return, whatever its US trading status. The only exceptions are syndicates whose business is limited to life insurance or to UK motor business. Syndicates with no relevant premium to report must make a "nil" return to Market Finance (MF).

Syndicates are not required to make a return in the year in which they commence trading. Treasury Regulations have made provision for newly formed insurers and in the event of a certified event, it is likely that their deductible will be fixed in accordance with methodology drawn up by the US Treasury.

A syndicate in run-off that ceased trading prior to 2015 may be required to make a return, if it is still party to ongoing business that could lead to a claim on the TRIA Federal programme. Its return will report the relevant premium it received in the course of 2015. Every such syndicate should consider making a return – it should be noted that a failure to file a return will make it impossible to calculate a syndicate deductible and cover under TRIA could be jeopardised. A decision not to make a return should therefore follow a careful analysis of the syndicate's book of business.

4. Classification of business

The detailed instructions set out in market bulletin Y3110 (1 August 2003) remain current. Syndicates should be careful to ensure that the return is completed correctly and that the premiums reported as "business covered by TRIA requirements" are properly identified. Appendix 3, "Risk code mapping", to market bulletin Y3110, has been updated to reflect those lines of business no longer covered by TRIA (please refer to market bulletins Y3719 & Y4107 and CRYSTAL for further details) following

the program's extension. This is attached as Appendix 2 to this bulletin. Instructions issued by US Treasury concerning the lines of business covered by TRIA refer to US NAIC line of business definitions. Appendix 3 sets out how the classes of business in the TRIA return match up with US lines of business.

Appendix 2 and Appendix 3 should be regarded as a general guide only. In particular, the lines of business covered on the TRIA return are wide and some types of business falling under them are in fact excluded by TRIA. Premiums relating to such excluded classes should not be reported as "business covered by TRIA requirements".

Syndicates should ensure all premiums for lines of business covered by TRIA, including that which may be incidental to the main policy coverage(s), or part of combined coverages, are reported for TRIA deductible calculation purposes. In general, if the insurance coverage is provided within the geographic and other statutory parameters of the definition of "insured loss" for TRIA, then such losses will be covered by the Program, subject to the conditions for payment and other requirements of the Act. For further guidance, please refer to previous Lloyd's market bulletins covering TRIA on CRYSTAL.

5. Action Required

Please ensure that an **electronic** version of the TRIA form is submitted by **14 April 2016** (the excel file should be named TRIA [4 digit syndicate number] 2015.xls"). This must be submitted via the Market Reporting web-site.

The notarised TRIA form must be **hand delivered** to the Tenants and Couriers on the Lower Concourse of the Lloyd's 1986 building by close of business on **21 April 2016**, so that they can be filed with the IID in Kansas City by 13 May 2016. If MF does not receive the notarised form by that deadline, we cannot guarantee to meet the filing date.

Please note that three originals of the TRIA forms must be notarised, using the Jurat page. There are a number of qualified notary firms based around the City, agents are free to use whichever firm they choose to effect the notarisation. Please send us two paper original versions of the notarised form: one will be forwarded to the IID; the second will be retained by Market Finance. The third copy should be kept for your own records. To avoid confusion, managing agents are reminded that all documents in the two versions filed with us must be originals.

Where the syndicate is required to make an IID filing the TRIA return will not be a part of that return. Accordingly, the separate Jurat page which has been issued by the NAIC with the TRIA return must be used.

For clarification purposes please note that submission of the IID financial filing format should follow the same timetable, i.e.: submission of the electronic version by 14 April 2016 and submission of the notarised packs by 21 April 2016.

6. Queries and circulation

If you have queries on the completion of the spreadsheet please contact Hayley Youles on extension 5299 or email Hayley.youles@lloyds.com or me, on the extension number above.

For queries regarding class definitions please contact the LMA – Alison Colver on Lloyd's extension 8370 email alison.colver@lloyds.com.

For queries on the use of coded data and USM's, contact the Enquire team at X-changing on +44 (0)870 3800830.

For other general enquiries relating to TRIA please contact LITA on Lloyd's extension 6677 LITA@lloyds.com

Please note that this return is now subject to the Lloyd's Overseas Returns Fining Policy (see Market Bulletin Y4843, dated 1 December 2014).

Leslie Redmond
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Market Finance

Appendix 1

Details of premium reporting procedures

Syndicates are required to report their relevant premium for the previous calendar year as follows:

- Where possible, syndicates should report premiums on an earned basis.
- If syndicates are unable to report and complete the spreadsheet on an earned basis, then they may report premiums on a signed basis. Signed premiums must be grossed up for brokerage and commissions. To avoid the possibility of premiums being under-reported, Lloyd's has agreed to certain safeguards. The percentages below therefore relate to the comparison of **whole account all years of account combined level signed premiums with earned premiums (grossed up for brokerage and commission) for the previous calendar year.**

The safeguard provisions are as follows:

- If the syndicate's signed premiums are 100% or more of earned premiums – it can submit signed figures with no adjustment. This will mean a syndicate potentially reporting a higher premium figure than if it had made the calculation on an earned basis.
- If the syndicate's signed premiums are 90% to 99.99% of earned premiums – if it submits signed premiums, its submission will be adjusted upwards in proportion with the difference at whole account level between signed and earned premiums.

Example

Whole Account		TRIA
100	95	20
(Earned)	(Signed)	(Signed)
TRIA premium for the deductible		= 100/95 x20
		=21

- If the syndicates signed premiums are less than 90% of earned premiums – if it submits signed premiums, its submission will be adjusted upwards in proportion with the difference at whole account level between signed premiums and earned premiums plus 10%.

Example

Whole Account		TRIA
100	80	20
(Earned)	(Signed)	(Signed)
TRIA premium for the deductible		= 110/80 x20
		= 27.5

The additional loading is added to take into account the uncertainties of the assumption that characteristics of the TRIA account will track the whole account / book of business.

Syndicates are expected to complete the IID spreadsheet using data relating to premium processed during the previous calendar year, provided in USMs by Xchanging In-sure Services to syndicates. Required breakdown of data will include information split by risk codes, FIL codes and trust code information. Syndicates should ensure that this information is retained for premium processed in the previous year.

De minimis provision: All syndicates are encouraged to report on an earned basis if they are able to do so. However, a syndicate may report its premiums on signed basis, without applying the safeguard provision adjustments mentioned above, if the amount of relevant premium income it is reporting is below specified “de minimis” levels. This applies whatever the relationship of its signed to its earned premiums at a whole account level.

For reporting purposes, the NAIC agrees with Lloyd’s that an adjustment in the level of a deductible of \$100,000 or less is “de minimis” under the agreed safeguard provisions and therefore does not need to be made. This means that in absolute terms there are premium levels below which syndicates are not required to make any adjustments to their signed figures under the above safeguard provisions.

For the current year which is Programme Year 12 – (i.e. 2015 reported in 2016) – the relevant income for the calculation of the deductible (calendar year signed, gross of all deductions) is \$500,000 or less.

Year-on-year consistency

Over time many syndicates have moved from reporting on a signed to an earned premium basis. A syndicate may not change mid-year and having switched to reporting on an earned basis the syndicate may not subsequently change back to a signed reporting basis.

Appendix 2

Terror risk code	risk code	FSA Accounting Class/TRIA schedule of premiums and losses
1T	DX	Accident & Health
1T	K	Accident & Health
1T	KA	Accident & Health
1T	KC	Accident & Health
1T	KD	Accident & Health
1T	KG	Accident & health
1T	KK	Accident & Health
1T	KL	Accident & Health
1T	KM	Accident & Health
1T	KP	Accident & Health
1T	KS	Accident & health
1T	KT	Accident & health
1T	KX	Accident & Health
2T	1	Aviation
2T	2	Aviation
2T	3	Aviation
2T	4	Aviation
2T	5	Aviation
2T	6	Aviation
2T	7	Aviation
2T	8	Aviation
2T	9	Aviation
2T	AO	Aviation
2T	AP	Aviation
2T	AR	Aviation
2T	AW	Aviation
2T	AX	Aviation
2T	CX	Aviation
2T	H	Aviation
2T	H2	Aviation
2T	H3	Aviation
2T	HX	Aviation
2T	L	Aviation
2T	L2	Aviation
2T	L3	Aviation
2T	LX	Aviation
2T	PX	Aviation
2T	RX	Aviation
2T	SC	Aviation
2T	SL	Aviation
2T	SO	Aviation
2T	SX	Aviation
2T	X1	Aviation
2T	XY	Aviation
2T	XZ	Aviation
2T	Y1	Aviation

2T	Y2	Aviation
2T	Y3	Aviation
2T	Y4	Aviation
2T	Y5	Aviation
2T	Y6	Aviation
2T	Y7	Aviation
2T	Y8	Aviation
2T	Y9	Aviation
2T	ZX	Aviation
3T	B	Marine
3T	G	Marine
3T	GC	Marine
3T	GX	Marine
3T	O	Marine
3T	OX	Marine
3T	SA	Marine
3T	SA	Marine
3T	SR	Marine
3T	T	Marine
3T	TS	Marine
3T	TX	Marine
3T	W	Marine
3T	WB	Marine
3T	WX	Marine
3T	X2	Marine
3T	X5	Marine
3T	XE	Marine
3T	XT	Marine
4T	BS	Miscellaneous & Pecuniary Loss
4T	CF	Miscellaneous & Pecuniary Loss
4T	CN	Miscellaneous & Pecuniary Loss
4T	CP	Miscellaneous & Pecuniary Loss
4T	CR	Miscellaneous & Pecuniary Loss
4T	FC	Miscellaneous & Pecuniary Loss
4T	FG	Miscellaneous & Pecuniary Loss
4T	FM	Miscellaneous & Pecuniary Loss
4T	LE	Miscellaneous & Pecuniary Loss
4T	P	Miscellaneous & Pecuniary Loss
4T	PB	Miscellaneous & Pecuniary Loss
4T	PC	Miscellaneous & Pecuniary Loss
4T	PE	Miscellaneous & Pecuniary Loss
4T	PF	Miscellaneous & Pecuniary Loss
4T	PN	Miscellaneous & Pecuniary Loss
4T	PO	Miscellaneous & Pecuniary Loss
4T	PP	Miscellaneous & Pecuniary Loss
4T	PQ	Miscellaneous & Pecuniary Loss
4T	PR	Miscellaneous & Pecuniary Loss
4T	PS	Miscellaneous & Pecuniary Loss
4T	PU	Miscellaneous & Pecuniary Loss

4T	PW	Miscellaneous & Pecuniary Loss
4T	PZ	Miscellaneous & Pecuniary Loss
4T	WA	Miscellaneous & Pecuniary Loss
4T	WS	Miscellaneous & Pecuniary Loss
6T	AG	Property
6T	B2	Property
6T	B3	Property
6T	B4	Property
6T	B5	Property
6T	BD	Property
6T	CA	Property
6T	CB	Property
6T	CC	Property
6T	DC	Property
6T	F	Property
6T	FA	Property
6T	FR	Property
6T	GS	Property
6T	HA	Property
6T	HP	Property
6T	JB	Property
6T	NB	Property
6T	NP	Property
6T	P2	Property
6T	P3	Property
6T	P4	Property
6T	P5	Property
6T	P6	Property
6T	P7	Property
6T	PD	Property
6T	TE	Property
6T	TO	Property
6T	TR	Property
6T	TU	Property
6T	WL	Property
6T	X3	Property
6T	XC	Property
6T	XP	Property
6T	XX	Property
7T	BB	Third Party Liability
7T	CY	Third Party Liability
7T	CZ	Third Party Liability
7T	D2	Third Party Liability
7T	D3	Third Party Liability
7T	D4	Third Party Liability
7T	D5	Third Party Liability
7T	DM	Third Party Liability
7T	DO	Third Party Liability
7T	E2	Third Party Liability

7T	E3	Third Party Liability
7T	E4	Third Party Liability
7T	E5	Third Party Liability
7T	E6	Third Party Liability
7T	E7	Third Party Liability
7T	E8	Third Party Liability
7T	E9	Third Party Liability
7T	F2	Third Party Liability
7T	F3	Third Party Liability
7T	GP	Third Party Liability
7T	NA	Third Party Liability
7T	NC	Third Party Liability
7T	NL	Third Party Liability
7T	PI	Third Party Liability
7T	PL	Third Party Liability
7T	PM	Third Party Liability
7T	UA	Third Party Liability
7T	UC	Third Party Liability
7T	W2	Third Party Liability
7T	W3	Third Party Liability
7T	W4	Third Party Liability
7T	WC	Third Party Liability
7T	X4	Third Party Liability
7T	XD	Third Party Liability
7T	XF	Third Party Liability
7T	XG	Third Party Liability
7T	XH	Third Party Liability
7T	XL	Third Party Liability
8T	CT	Transport
8T	Q	Transport
8T	QL	Transport
8T	QX	Transport
8T	V	Transport
8T	VL	Transport
8T	VX	Transport
1E	EM	Marine
1E	EN	Marine
1E	ET	Marine
1E	EW	Marine
1E	EY	Marine
1E	EZ	Marine
2E	EG	Marine
2E	EH	Marine
3E	EF	Property
4E	EA	Third Party Liability
4E	EB	Third Party Liability

Appendix 2 should be regarded as a general guide only. In particular, the lines of business covered on the NAIC TRIA return are wide and some types of business falling under them are in fact excluded by TRIA. Premiums relating to such excluded classes should not be reported as “business covered by TRIA requirements”.

Not all risk codes shown under Appendix 2 are subject to TRIA. However, syndicates should ensure all premiums for lines of business covered by TRIA, including that which may be incidental to the main policy coverage(s), or part of combined coverages, are reported for TRIA deductible calculation purposes. Some of the risk codes in their application are not precise enough to exclude completely.

Appendix 3

<u>US Line of business</u>	<u>Accident & health</u>	<u>Aviation</u>	<u>Marine</u>	<u>Misc. & Pec. Financial loss</u>	<u>Property</u>	<u>Third party liability</u>	<u>Transport</u>
Fire					x		
Allied lines					x		
Ocean marine			x				x
Inland marine					x		x
Workers' compensation						x	
Other liability ⁽¹⁾	x			x		x	
Products liability						x	
Aircraft (all perils)		x					
Boiler and machinery					x		