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SUBJECT: PAPUA NEW GUINEA
SUBJECT AREA(S): Direct Placements
ATTACHMENTS:
ACTION POINTS: **Managing Agents, Brokers and Underwriters to note**
DEADLINE:

Direct Placements

The purpose of this Market Bulletin is to provide clarification as to the requirements of Office of the Insurance Commissioner in Papua New Guinea with regard to the placement of direct business.

By law, all insurance risks situated within the country must be placed with a locally licensed insurer under the Insurance Act 1995 in accordance with the requirements of Sections 36 and 37.

Lloyd's underwriters, as foreign insurers, have been licensed by the Office of the Insurance Commissioner to accept Papua New Guinea risks, but only in circumstances where the local licensed insurers are unwilling or unable to assume such risks. The Office of the Insurance Commissioner therefore requires that brokers situated in Papua New Guinea must approach the domestic insurance market first with each placement. Thereafter, the broker is required to obtain written approval from the Commissioner's office, prior to business being placed in the Lloyd's Market.

In accordance with Section 37(6)(b) of the PNG Insurance Act 1995 (as amended), the Commissioner cannot refuse an application for exemption where “the costs to the insured person of insuring or reinsuring the risk with a licensed (*onshore*) insurer are greater by 17.5% than the costs to the insured person of insuring or re-insuring the risk with an offshore insurer”.

We have ascertained that the local producing brokers are already adhering to this requirement, and both the brokers and the Commissioner appear to consider that these arrangements are workable in practice.

If you have any questions relating to this bulletin, please contact Maxine Hooper, Worldwide Markets on extension 6291 or Keith Stern, Lloyd’s General Representative in Australia on 00 612 9223 1433.

This bulletin is being sent to all compliance officers, underwriting agents, active underwriters and Lloyd’s brokers and for information to market associations.

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