

FROM: Director, Worldwide Markets EXTN: 6677
DATE: 21 March 2005 REF: Y3524
SUBJECT: **California Insurance: Mandatory Disclosure Notices – Further Guidance**
SUBJECT AREA(S): Renewals and the issue of disclosure notices
ATTACHMENTS: None

ACTION POINTS: **Managing agents and brokers to note, and to inform coverholders and surplus lines brokers handling California business accordingly**

DEADLINE(S): **With immediate effect**

1. Purpose of Market Bulletin

Market Bulletin Y3453, dated 10 December 2004, informed the market of changes to California mandatory disclosure requirements for nonadmitted insurance.

As we have received a number of queries about the precise meaning of these requirements, this bulletin is intended to provide additional guidance on the position with renewals.

2. What are the disclosure notice requirements for renewals?

Disclosure Notice D-2 (LSW1147a) **must** be added to every policy that is purchased by a resident of California – this includes new business **and renewals**. Xchanging will check for its inclusion in all policies for a Californian insured and will raise queries with brokers if it is absent.

California Insurance Code section 1764.1 states that **Disclosure Notice D-1** (LSW1146a) does **not** need to be signed by the policyholder if the policyholder is renewing the policy.

3. What constitutes a renewal?

Generally, a renewal means that the same insurance coverage is provided by the same insurer(s). Applying this definition to Lloyd's, the risk needs to be placed with the same Lloyd's syndicates as the previous year for it to be considered a renewal. A change in the participating syndicates means that the risk can not be treated as a renewal and the standard California disclosure requirements apply. If there are material changes in policy conditions, then the risk would not be considered a renewal of the original risk.

4. Further Information

If you have any queries about this bulletin please contact:

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This bulletin has been sent to active underwriters and the compliance officers of managing agents and Lloyd's brokers.

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