

MARKET BULLETIN

From	Director, Worldwide Markets (extn 6677)
Date	16 March 2006
Reference	Y3768
Subject	US Surplus Lines: changes required to the reporting of surplus lines broker information to Xchanging, (XIS)
Subject areas	US Surplus Lines insurance
Attachments	
Action points	To include the surplus lines broker's name, address, licence number and state of filing in respect of all US surplus lines business
Deadlines	Premiums processed via Xchanging, (XIS) from <u>1 August 2006</u>

1 Purpose of the bulletin

To inform the market of amended requirements for US surplus lines business, necessary in order to comply with individual US state surplus lines reporting requirements.

2 Action required

From **1 August 2006**, regardless of inception date, Lloyd's will require that all business classified as "US Surplus Lines" and presented to XIS for signing must include the name, address **and surplus lines licence number** of the surplus lines broker making the filing, as well as the state in which that broker is making such a filing.

XIS will check that each of the above items is present in documentation submitted to them for signing/processing. Lloyd's will instruct XIS to check and query/reject slips, AP and RP endorsements or bordereaux if any of the four items are missing. This requirement will apply to open market slips and to binding authority bordereaux. It will not apply to slips for binding authority contracts of delegation.

It is important to note that in many states the surplus lines broker licence can be given to either an individual or a company, therefore it is imperative to ensure that the correct name is supplied with the correct licence number. Some surplus lines brokers will hold surplus

lines licences for a number of different states. The licence details provided must be the surplus lines licence relating to the state in which the broker is “doing business”.

Managing agents and brokers are encouraged to incorporate the additional data in LMP slips and endorsements as soon as possible. Coverholders should be requested to amend their processes and systems to provide the additional data to Lloyd’s brokers in good time to ensure that business presented to XIS from August can be processed without query or rejection. The Lloyd’s QA tools will be revised to reflect these additional requirements.

Market bulletin [Y2967](#), dated 9 January 2003, reminded underwriters that they are responsible for ensuring that every US surplus lines risk they write is placed via a broker who possesses the appropriate surplus lines licence. Furthermore, market bulletin [Y3587](#), dated 7 July 2005 provides guidance and instruction on compliance with US surplus lines legal and regulatory requirements.

3 Current procedures

Lloyd’s brokers and underwriters are already aware of the requirement to provide the name and address of the surplus lines broker(s) that has carried out the surplus lines filings, including the state(s) in which the filings have been made. The only new obligation is therefore the provision of the surplus lines broker licence number.

The amended requirements do not alter the procedures for processing New Jersey business.

4 State reporting

Alien surplus lines insurers, including Lloyd’s are required to file transactional reports with several US states detailing, among other items, premium written by licence number, name and address of the surplus lines broker. These reports are filed as part of a surplus lines insurer’s continued eligibility to do business in a particular state, and can be used by a state to verify the amount of surplus lines taxes receivable from their surplus lines brokers.

To date Lloyd’s surplus lines reporting has been deficient in providing certain key elements to enable the individual states to make use of the data supplied to them. State insurance departments are therefore expecting Lloyd’s to take steps to improve the collection of surplus lines transactional information. In response Lloyd’s is therefore introducing these amended requirements in order to improve the completeness and accuracy of Lloyd’s surplus lines reporting and to allow Lloyd’s to better fulfil its reporting obligations.

5 Enhanced data requirements

Lloyd’s is currently working with XIS to populate a database from which XIS technicians can select the surplus line broker licensee from information provided on the slip, endorsement, or bordereaux. Lloyd’s will also be working with individual state insurance departments to obtain details of surplus lines broker licensees in order to pre-populate the database.

The pre-populated database will enable XIS to verify the surplus lines broker details provided to them. This will also ensure that accurate data is recorded and subsequently reported to the relevant state authorities.

Any brokers wishing to supply details of their surplus lines broker counterparties, to help populate the database ahead of submitting business to be signed by XIS should contact Market Services (contact details below). This will help to ensure that such business can be processed smoothly and reduce the potential for queries or rejections by XIS.

6 Further information

If you have any queries about this market bulletin, or would like someone from Worldwide Markets to come and talk about the content of the market bulletin with staff from your organisation, please contact Lloyd's Worldwide Market Services:

Lloyd's Worldwide Market Services
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This market bulletin has been sent to active underwriters and to the compliance officers of Managing Agents and Lloyd's brokers.

Julian James
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