

MARKET BULLETIN

REF: Y4123

Title	Regional extensions to coverholder approvals
Purpose	To set out the changes to the way in which Lloyd's will handle the extension of territorial approvals to Lloyd's coverholders and to introduce the form and procedure which will replace those issued on 17/07/2006.
Type	Event
From	Peter Montanaro, Head of Delegated Authorities Team Tel: 020 7327 5971, e-mail: Peter.Montanaro@lloyds.com
Date	04 February 2008
Deadline	Immediate
Related links	

Changes

When extending the territory of a coverholder's approval beyond their country of domicile Lloyd's will now consider the country as part of a region which, once approved by Lloyd's, will permit the relevant managing agents to grant the coverholder authority to enter into contracts of insurance for all countries in that region.

An application for territorial extensions should be classified into one or more of the following regions:

- **European Economic Area (EEA)**
- **Australia**
- **Canada**
- **Switzerland**
- **US – all States and territories** (excluding the US Virgin Islands),
- **US Virgin Islands**
- **Other licensed countries** (i.e. **countries** other than those listed above which are shown at http://www.lloyds.com/Lloyds_Worldwide/Lloyds_licences.htm),
- **Non licensed countries** (i.e. anywhere in the world other than those listed above),
- **World-wide for Marine Cargo business**
- **World-wide for Reinsurance business**

Country-specific addenda to the coverholder undertaking will no longer be required.

Reason for changes

Lloyd's has taken into consideration the complexity of the current process alongside the changing global regulatory environment and liaised with brokers and managing agents through the LMA and the LMBC. As a result it has developed this new approach and application form to reduce the administrative burden placed on the market without impacting the protection of Lloyd's licenses.

How it affects you

The proposed change streamlines the number of approvals to be sought by a coverholder in reflection of the converging regulatory requirements within those regions.

The binding authority agreement is of course the relevant document that specifies in which country the coverholder is authorised to do business on behalf of the underwriter. Therefore there are no changes to the **binding authority agreement**.

The fact that a coverholder's approval may have been extended to a region does not, of course, mean to say that all countries within that region must be shown in Section 11 of the binding authority agreement or in the Binding Authority Registration system (BARs). **It is always open to the managing agent to specify the relevant countries as it believes to be appropriate.**

All coverholders with current country extensions will have their approval extended to the regions into which those territories fall. This should be done by the end of February 2008. If, after that date, your coverholder does not appear to have the appropriate regional approval(s), please contact the Delegated Authorities Team.

Action required

With immediate effect, applicants, through their Lloyd's broker, should use the new regional extension application form when requesting an extension of approval to underwrite on behalf of Lloyd's in a country outside of their country of domicile.

The new Regional Extension form is attached.

Please note that the old territorial extension application form, issued 17/07/2006, is no longer valid.

Further Information

Any enquiries regarding the regional extension application process should be referred to the Delegated Authorities Team, tel +44 (0)207 327 6275 or e-mail coverholders@lloyds.com.

Application for a regional extension to an approved coverholder's profile:

REGIONAL EXTENSION

Purpose

This form should be used to extend an approved coverholder's territorial permissions to a new "Region". (A Region is a country or group of countries.)

When to use this form

If a managing agent proposes to authorise a coverholder to accept business and/or issue insurance documentation where the insured is domiciled outside the country in which the coverholder's trading office is physically located, then the coverholder's approval must be extended to cover the Region in which the insured is domiciled. By "domiciled" we mean the country where the insured is located.

It is also necessary to extend approval to the US Virgin Islands (USVI) if it is proposed that the coverholder accepts business and/or issues insurance documentation where risks are located in the USVI – see below).

To which Regions may a coverholder's approval be extended?

Initially, coverholders are usually approved for their own country (ie where the coverholder's trading office is physically located). Approval may be extended at any time to the following Regions, subject to the requirements detailed herein:

- **European Economic Area (EEA)**
(for Regional extension purposes, the EEA comprises: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France [inc. Monaco], Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, UK [inc. Gibraltar, the Channel Islands and the Isle of Man])
- **Australia**
- **Canada**
- **Switzerland**
- **US – all States and territories** (excluding the US Virgin Islands)
- **US Virgin Islands** (Note - Coverholders require approval if the insured is domiciled in and/or the risk is located in the US Virgin Islands).
- **Other licensed** countries (shown at: http://www.lloyds.com/Lloyds_Worldwide/Lloyds_licences.htm)
- **Non-licensed** countries (ie anywhere in the world except the Regions above)
- **World-wide for Marine Cargo business**
- **World-wide for Reinsurance business**

Completion of Section 11 of binding authority schedules

The guidance on completion of Section 11, set out in Market Bulletin Y3608 "Binding authorities and coverholder approval: international legislative and reporting requirements" dated 1 August 2005, will be replaced shortly.

Process

- i. It is strongly recommended that the coverholder be registered with Crystal, Lloyd's Global Trading Information system (see box below).

Also, see item 2 in the Managing Agent's declaration. Whilst registration with Crystal is not mandatory, the coverholder should be reminded that the Coverholder Undertaking requires the coverholder to comply with the guidance given on lloyds.com. Guidance relevant to coverholder country requirements is given in Crystal.

- ii. This form, except for the managing agent's declaration, should be completed by the Lloyd's broker, with the consent of the coverholder. (The Delegated Authorities Team does not require evidence of this consent.)

Where a managing agent is dealing direct with an approved coverholder, the managing agent should, with the coverholder's consent, complete all sections of the form.

- iii. The Lloyd's broker must then submit the form and attachments to the managing agent whose syndicate leads the binding authority under which business from the Region concerned will be accepted.
- iv. The managing agent must then sign off the managing agent declaration. This may be a physical sign-off of a scanned application form, or a supporting e-mail from the managing agent attached to the scanned application form.
- v. This form and any supporting documentation (which must be scanned and attached) must then be e-mailed to the Delegated Authorities Team at coverholders@lloyds.com **Hard copies will no longer be accepted.** The application may be e-mailed to the Delegated Authorities Team by the Lloyd's broker or managing agent. It is recommended that all interested parties, including the coverholder, be copied-in.
- vi. If the application is for an extension to **Australia, Canada, Switzerland or the US Virgin Islands**, the Delegated Authorities Team will forward the application to the local Lloyd's General Representative or Attorney-in-Fact requesting confirmation that the coverholder's approval may be extended to that Region.

The General Representative or Attorney-in-Fact may need to liaise with the Lloyd's broker, managing agent or the coverholder before making a recommendation.
- vii. The Delegated Authorities Team will review the application and where appropriate confirm to the Lloyd's broker that the regional extension has been approved, and update the coverholder's permissions on the Binding Authority Registration web-site. The Lloyd's broker should then inform the managing agent and coverholder accordingly

Service standards

Australia, Canada, Switzerland and the US Virgin Islands - 5 working days from the General Representative or Attorney-in-Fact making a recommendation to the Delegated Authorities Team.

Other Regions - 5 working days from receipt of a complete and correct application by the Delegated Authorities Team.

What is Crystal?

Crystal is Lloyd's on-line business tool that provides quick and easy access to international regulatory and taxation requirements.

To register as a user of Crystal, go to www.lloyds.com/crystal and click on "Log in / register now".

Any enquiries regarding Crystal should be referred to +44 (0)20 7327 6677 or LITA@lloyds.com

Coverholder details

Coverholder name:		PIN:	
Address:			
Coverholder Contact:	Name :	Telephone number :	E-mail address :

Required**Regions Requested (✓) Required additional information, and notes**

European Economic Area (EEA)	<input type="checkbox"/>	<p>No additional information required.</p> <p>Notes:</p> <p>If a coverholder located in the EEA wishes to provide cross-border services to another EEA state(s), it may do so upon completion of the process for notifying its home-state market regulator of its intention to exercise 'passporting' rights.</p> <p>If a coverholder is Not located in the EEA but wishes to provide cross-border services and/or carry on business in an EEA state or states, it may do so provided it does not carry on intermediation business in the EEA and all transactions are handled via a registered EEA intermediary.</p> <p>UK domiciled firms should notify the FSA by completing the relevant standard form of notice of intention. Please follow the link: www.fsa.gov.uk/pubs/forms/forms/passport_eea.doc</p>
Australia	<input type="checkbox"/>	<p>Attach:</p> <ol style="list-style-type: none"> 1 Details of the product or classes that the coverholder will handle in respect of Australia. 2 Details of how local taxes and charges will be paid 3 Examples of the policy wording that should be used. Alternatively, if standard Australian forms are used, please state the form(s) used and confirm that they have not been modified.

Required Regions **Requested (✓)** **Required additional information, and notes**

Canada	<input type="checkbox"/>	<p>Attach:</p> <ol style="list-style-type: none"> 1. The names of the province(s)/territory(ies) in which the coverholder intends to write business. 2. The name(s) of the licensed Canadian intermediary(ies) and adjuster(s), in each province/territory in which business will be written. 3. The type of business to be written. 4. Whether the coverholder proposes to write the following: <ul style="list-style-type: none"> • Automobile business, • Commercial liability business in the province of Ontario, • Hail (in Alberta, Manitoba, or Saskatchewan) 5. The approximate date when the coverholder will begin transacting business in Canada. 6. The names and e-mail addresses of the coverholder's Principal, Claims manager, Underwriting Manager, and Compliance Officer. <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Notes:</p> <p>It is the responsibility of the coverholder to ensure that any local licensing requirements are met. See Crystal for details.</p> <p>In order to ensure understanding of Canadian compliance requirements, Lloyd's Canada is required to conduct a telephone interview with the applicant.</p> </div>
Switzerland	<input type="checkbox"/>	<p><i>Please read this note before making an application for Switzerland</i></p> <p>The categories of intermediary entitled to place Swiss business with Lloyd's underwriters are:</p> <ul style="list-style-type: none"> • "Lloyd's Swiss brokers" approved as (1) either Lloyd's open market correspondents or Lloyd's coverholders and (ii) by the Swiss Federal Office of Private Insurance (FOPI) in accordance with the terms of the Swiss Federal Council decision of 31 October 1947. • Lloyd's brokers <p>Other categories of intermediary are not permitted to deal with Swiss insureds directly.</p> <p>The Delegated Authorities Team will reject an application from a non-Swiss Lloyd's coverholder who is not a Lloyd's broker to deal directly with Swiss insureds.</p> <p>If the applicant wishes to trade through other intermediaries as a wholesaler, the name and the (FOPI) register numbers of all potential intermediaries must be identified and attached to the application. (FOPI)Swiss Federal Office of Private Insurance www.bpv.admin.ch</p> <ol style="list-style-type: none"> 1. Does the applicant wish to deal direct with Swiss insureds: YES <input type="checkbox"/> / NO <input type="checkbox"/> 2. Does the applicant wish to deal with Swiss insured's through other intermediaries: YES <input type="checkbox"/> / NO <input type="checkbox"/> 3. Please name all potential intermediaries identified at 2 above.

Required Regions **Requested (✓)** **Required additional information, and notes**

US (excluding the US Virgin Islands)	<input type="checkbox"/>	No additional information required. Note: A coverholder located outside the US cannot deal directly with US insureds. It may accept business only via US intermediaries who possess the appropriate state licences for the business transacted.
US Virgin Islands	<input type="checkbox"/>	Attach: 1 A copy of all licences that are held by the coverholder as an agent or broker in the US Virgin Islands, and of the individuals who are so licensed and who are authorised to act on behalf of the coverholder. 2 Copies of policy forms and wordings that will be used. Alternatively, if standard Lloyd's Market or ISO forms, please state the form(s) used and confirm that it/they have not been modified. 3 The classes of USVI business the coverholder will handle.
"Other" licensed countries	<input type="checkbox"/>	No additional information required.
Non-licensed countries	<input type="checkbox"/>	No additional information required.
World-wide Marine cargo	<input type="checkbox"/>	No additional information required.
World-wide Reinsurance	<input type="checkbox"/>	No additional information required.

Note:

The coverholder, the Lloyd's broker and the managing agent all have responsibilities for ensuring that applicable legal, regulatory and fiscal requirements are met, for every country in which business is transacted or in which insured risks are located. See www.lloyds.com/crystal.

Lloyd's broker

Name of firm:		Contact phone:	
Broker contact:		Contact e-mail:	
Signature:			

Managing Agent's declaration

In supporting this application we confirm that:

- 1 The coverholder has given its consent to this application to amend its Lloyd's territorial approval.
- 2 The above coverholder is aware of Lloyd's coverholder country requirements that apply to every country from which the coverholder will obtain business. These requirements are available on: www.lloyds.com/crystal .
- 3 We have taken all reasonable steps to ensure that the coverholder has suitable compliance procedures to ensure that any local requirements will be complied with. This includes taking reasonable steps to ensure that the coverholder complies with all relevant local insurance, fiscal and taxation laws, regulations and requirements of the Region(s) requested, and that the coverholder is competent to do business in those Regions.
- 4 We are satisfied that the coverholder has all the regulatory licences or permits that may be required to handle business from the Region(s) concerned. (For example, passporting may be required in respect of the EEA).
- 5 The coverholder's E&O coverage is in force and includes its activities in connection with the Regions concerned.
- 6 Any audits carried out in accordance with Lloyd's requirements and guidance will include verifying the existence of all necessary licenses or permits, and assessing the coverholder's compliance with local laws and regulations.

Name of managing Agent:		Contact phone:	
Agent contact:		Contact e-mail:	
Signature:			