

# MARKET BULLETIN

REF: Y4125

<b>Title</b>	Coverholder approval: international requirements
<b>Purpose</b>	Updates Lloyd's international requirements for coverholder approval (replacing Market Bulletin Y3608, dated 1 August 2005).
<b>Type</b>	Event
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<b>Date</b>	13 February 2008
<b>Deadline</b>	Immediate

## Purpose of bulletin

This bulletin is intended to detail Lloyd's process for granting coverholder regional extensions, following recent changes.

It replaces Market Bulletin Y3608 "*Binding authorities and coverholder approval: international legislative and reporting requirements*", issued 1 August 2005.

## Coverholder regional extension approval

Lloyd's has introduced a new, streamlined coverholder regional extension process. The new process is described in Market Bulletin Y4123, "Regional extensions to coverholder approvals", issued 4 February, 2008, which includes a copy of the new Regional Extension form.

The key changes are:

- Lloyd's coverholder regional extension approvals are no longer restricted to a single territory. Instead, most territories have been grouped into regions and approval is granted for the region.
- Lloyd's no longer requires coverholders to provide standard territorial undertakings or undertaking addenda. Instead, coverholders are required to comply with territory-specific conditions, as set out in: <http://www.lloyds.com/Crystal/Crystal.htm>.

## Appendices

Appendix 1 – Coverholder regional extension approval

Appendix 2 – Registration of binding authorities and completion of binding authority schedules

Appendix 3 – Information on country and regional requirements

Appendix 4 - Coverholder regional extensions: categorisation of countries

## Additional guidance

For assistance with deciding on the location of a risk for tax and regulatory purposes, Lloyd's has developed the Risk Locator, which can be accessed using this link:

[http://www.lloyds.com/Lloyds\\_Worldwide/Risk\\_locator/](http://www.lloyds.com/Lloyds_Worldwide/Risk_locator/).

Details of where Lloyd's is licensed can be found using Crystal's interactive map, which can be viewed here: <http://www.lloyds.com/Crystal/Flash/worldmap/iMap.aspx>.

## Further information

If you have any questions in relation to this bulletin or global trading please contact:

Lloyd's International Trading Advice

Tel: 020 7327 6677

E-mail: [LITA@lloyds.com](mailto:LITA@lloyds.com)

If you need to change the regional approval of a coverholder please visit the page on [www.lloyds.com](http://www.lloyds.com) entitled "Changing an approved coverholder's details". It is accessible through this link: [www.lloyds.com/coverholderchanges](http://www.lloyds.com/coverholderchanges). If you have any further questions contact:

Delegated Authorities

Tel: 020 7327 6275

Email: [coverholders@lloyds.com](mailto:coverholders@lloyds.com)

## Appendix 1

**Coverholder regional extension approval****Lloyd's requirement for regional extension approval**

All Lloyd's coverholders (other than restricted coverholders) require Lloyd's approval, including Lloyd's brokers who act as Lloyd's coverholders. A "standard" approval permits a coverholder to accept risks and issue documentation on behalf of Lloyd's underwriters in the coverholder's own territory.

A coverholder cannot carry on business, on behalf of a Lloyd's managing agent, in territories other than the one in which they are located unless they have the appropriate Lloyd's regional extension approval. A coverholder requires an extension to its approval beyond its own domicile if **insureds** of contracts arranged under its binding authority are domiciled or located in other countries (the arrangements for the US Virgin Islands are slightly different – see page 6).

**Categories of regional extension approval**

Lloyd's categories of regional extension approval are set out below. Details of the regions into which individual countries fall are set out in appendix 4.

1. Countries continuing to require separate approval

**Australia**  
**Canada**  
**Switzerland**  
**USA<sup>1</sup>**  
**US Virgin Islands**

2. Approvals covering more than one country

**European Economic Area<sup>2</sup> (EEA)**

**Other licensed territories** – not in the EEA or a country listed in section 1 above. This category includes countries where Lloyd's is authorised as a direct insurer, not the countries where it is an authorised reinsurer only.

**Non-licensed territories** – countries where Lloyd's is not a licensed insurer.

3. Worldwide approvals

**Worldwide for Marine Cargo business**  
**Worldwide for Reinsurance business**

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<sup>1</sup> A regional extension for the US covers all US states, including Illinois and Kentucky, and US territories other than the US Virgin Islands. The US Virgin Islands requires a separate regional extension.

<sup>2</sup> Coverholders in EEA member states where Lloyd's has "services" authorisation only are restricted to "prior submit" binding authorities – see page 14.

## Obtaining regional approval

The process for varying the conditions of a coverholder's approval to include additional territories, and the information that Lloyd's requires, are set out on Lloyd's website on the page headed "changing an approved coverholder's details". Click here: [www.lloyds.com/coverholderchanges](http://www.lloyds.com/coverholderchanges).

### Example

A Lloyd's managing agent agrees with a coverholder located in France that, as well as doing business in France, it can accept business from Australia, Belgium, Canada, Germany, and South Africa.

Before the coverholder accepts business from these countries, a Regional Extension form must be submitted to Lloyd's, applying for the coverholder's regional approval to be extended to Australia, Canada, the EEA, and "other licensed territories".

## Legal, fiscal and regulatory compliance

Coverholders are subject to a range of legal, fiscal and regulatory requirements in the territories in which they are located and in which they conduct business. Lloyd's regional extension approval process is intended to protect the authorised positions of Lloyd's underwriters internationally by facilitating regulatory compliance when coverholders are carrying on cross-border business. A coverholder who is accepting business from a territory other than the one in which they are located must, for every such territory:

- i) Either possess the appropriate insurance intermediary regulatory status<sup>3</sup>, or receive business only from intermediaries who do possess this status;
- ii) Understand and comply with Lloyd's own regulatory processes; and
- iii) Understand and comply with the legal, regulatory and fiscal requirements generally applicable.

Until now, Lloyd's has relied in some (but not all) licensed territories on the completion by coverholders of territory-specific undertakings or addenda to the main coverholder undertaking, particularly for compliance with point ii) above.

The new process of territory extension approvals does not use undertakings. Instead, coverholders must comply with Lloyd's territory-specific conditions. These conditions are found on Lloyd's website: <http://www.lloyds.com/Crystal/Crystal.htm>, under "Routes into Lloyd's: Coverholders", for each country. Lloyd's brokers or managing agents should ensure that a coverholder is aware of these conditions.

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<sup>3</sup> If a coverholder has a licensed or regulatory status which lapses or is withdrawn, it must immediately inform its sponsor.

**Appendix 2**

**Registration of binding authorities and completion of binding authority schedules**

**Registration of binding authorities**

Registering a binding authority on Lloyd's Binding Authority Registration (BAR) website requires entry of the countries from which the coverholder will accept business. This entry should be in line with the coverholder's regional approval and with those entered in the binding authority slip schedule (see below). In other words, the BAR entry should not include any countries in regions for which the coverholder is not approved

**Completion of the binding authority schedule**

The standard binding authority slip schedules require provision of details about the location of risks, the country of domicile of insureds and territorial limits, in the following sub-sections:

<b>Form number</b>	<b>Form name</b>	<b>Information required</b>
LMA 3018	US Non-marine	11.1 Risks located in: 11.2 Insureds domiciled in: 11.3 Territorial limits:
LMA 3019	Non-marine (excluding US and Canada domiciled coverholders)	11.1 Risks located in: 11.2 Insureds domiciled in: 11.3 Territorial limits:
LMA 3020	Canada non-marine	11.1 Risks located in: 11.2 Insureds domiciled in: 11.3 Territorial limits:
LMA 3005	Marine	11.1 Territories in which insurances may be bound: 11.2 Maximum territorial limits of insurances bound:

## Slip schedules and coverholder approval

Coverholders must have the appropriate regional approval for the countries in which insureds are domiciled. This means that for every country entered in the following sub-sections of a binding authority schedule: 11.2 (LMA 3018, LMA 3019, LMA 3020), 11.1 (LMA 3005):

1. The coverholder should have Lloyd's regional approval; and
2. The BAR entry for the binding authority should match.

**US Virgin Islands (USVI): coverholders must obtain regional approval for the USVI before they arrange contracts where either the risk is located or the insured is domiciled in the USVI.**

Xchanging check the details entered on the binding authority schedule against the details recorded on BARS for the territories from which business is sourced. They will query any document where these do not match up.

**Reason for this approach:** The longstanding policy of checking a binding authority's reference to the country or countries in which insureds will be domiciled against coverholder regional extensions is because these countries are most likely to be where the coverholder is selling and negotiating insurance contracts on behalf of Lloyd's underwriters. The coverholder's regulatory status and the way they are carrying on business are therefore relevant regulatory issues in those countries.

**Importance of location of risk:** Regulatory and fiscal requirements applicable to an insurance contract must be met. These requirements are determined by the "legal" location of the risk<sup>4</sup>.

Lloyd's provides guidance on "location of risk" on <http://www.lloyds.com/Crystal/>, under the heading "Risk Locator".

### Example

A German coverholder arranges the insurance of a yacht registered in the UK for a German insured.

German and UK insurance laws follow the EU's Insurance Directives by providing that "the member state where the risk is situated" is the member state of registration, where the insurance relates to vehicles of any type (including ships and other vessels).

The insurance is therefore a UK risk. The coverholder does not require a Lloyd's "EEA" regional extension, but the managing agent must ensure that the coverholder arranges the contract in accordance with applicable UK requirements – in particular those relating to UK insurance premium tax.

<sup>4</sup> When a managing agent delegates authority to accept risks or to issue insurance documentation to a coverholder, it is relying on the coverholder to comply with certain requirements on its behalf. If a coverholder in one country arranges the insurance of risks legally located in another country, a managing agent must ensure that a coverholder acting on its behalf has the knowledge and capabilities to comply with the other country's requirements.

**Insureds domiciled in:** The territory in which an insured is domiciled is:

- For a private individual, the territory in which their residence is located.
- For a company or other corporate body, the territory in which their head or main office is located.

For most contracts these are straightforward: the insured's home address is provided on the proposal form and other insuring documents. Some instances are more complex. A determination of the territory in which an insured is domiciled depends on the facts of each individual circumstance and should be reasonable in light of the available information. Even when it is reasonable to conclude that an insured is domiciled in one territory, legal or fiscal obligations may arise in another territory, and must be taken into account when handling a risk.

- **Inclusion of overseas subsidiaries:** A coverholder may arrange an insurance contract that covers an insured with a head or main office in a country for which the coverholder has approval and also covers the insured's subsidiaries in other countries. In these circumstances, Lloyd's does not require a coverholder to be approved for every country in which an insured's subsidiary is located. Underwriters may explicitly restrict a coverholder's powers to issue such contracts.

Any insurance contract insuring subsidiary companies is likely to give rise to fiscal obligations in the territory in which the subsidiary is located.

#### Example

A German coverholder has a binding authority with a Lloyd's managing agent, under which it issues a general liability insurance contract covering a company with a head office in Germany and a subsidiary in France.

The German coverholder does not require a Lloyd's regional extension approval for the EEA.

The cover provided to the French subsidiary is subject to tax and fiscal requirements, and arrangements must be made to comply with Lloyd's guidance with multi-jurisdictional contracts. The premium must be split between the German and the French portions of the risk and tax and other fiscal charges due must be calculated and collected from the insured. The bordereau presented to Xchanging for signing must show the amounts of taxable premium and tax due and the payment to Lloyd's central accounting must include taxes and fiscal charges payable by insureds and administered by insurers, as well as the premium.

- **Holiday homes:** If a binding authority covers holiday homes, the coverholder must be approved for the territory in which the insureds are domiciled, which may not be the same as the territory in which the holiday home is located.

An insurance of a holiday home is usually subject to taxes and other charges in the jurisdiction in which the holiday home is located. Underwriters must arrange with the coverholder for the collection and payment of those taxes and charges.

On occasion, a coverholder may hold a binding authority where the coverholder is selling insurance to cover holiday homes in a single territory. The transactions take place in that territory, although the insureds are domiciled elsewhere. In those circumstances, Lloyd's may agree to the coverholder being approved for the territory in which the risk is located rather than the territories in which the insureds are domiciled. The coverholder's application would need to request this specifically and Lloyd's will need to be assured that the circumstances of the case justify special dispensation.

**Example 1**

A UK-based approved coverholder holds a binding authority from a Lloyd's managing agent, under which it arranges, for UK residents, the insurance of holiday homes located in France.

The coverholder does not require a Lloyd's regional extension approval for the EEA.

The insurances arranged under the binding authority are subject to:

- French regulatory requirements, including those relating to natural catastrophe insurance and GAREAT, the French terrorism pool. Insurance documentation may, however, be in English and the insurance contracts may be subject to English law.
- French premium taxes and other fiscal charges. The coverholder must collect the appropriate amounts from the insureds with the premiums. The bordereau presented to Xchanging for signing must show the amounts of taxable premium and tax due and the payment to Lloyd's central accounting must include the taxes and fiscal charges payable by insureds and administered by insurers, as well as the premiums.

Section 11 of the binding authority schedule should be completed to show:

- 11.1 Risks located in:** France.
- 11.2 Insureds domiciled in:** the UK.

**Example 2**

The coverholder agrees with the Lloyd's managing agent that, as well as the French holiday home insurance for UK residents, it will offer home insurance to insureds resident in France.

The coverholder must complete the process of notifying the FSA of its intention to exercise "passporting" rights. The Lloyd's managing agent will require confirmation of this.

The coverholder requires Lloyd's regional extension approval for the EEA.

The insurances arranged for French residents will be subject to the same regulatory and fiscal requirements as the French holiday homes insurance. In addition, insurance documentation for French residents must be in French and the contracts must be subject to French law.

Section 11 of the binding authority schedule should be completed to show:

- 11.1 Risks located in:** France
- 11.2 Insureds domiciled in:** the UK and France.

***Territories in which insurances may be bound:*** This sub-section appears in the marine schedule (LMA 3005). It should be completed in the same way as sub-sections requiring the location of the insured's domicile.

Some slip schedules state a territory under "insureds domiciled in", followed by the words "...or as agreed by underwriters". This phrase could lead to circumvention of the rules, as it implies that territorial limits can be extended without prior approval. Lloyd's has therefore instructed Xchanging that it should query any slips using the phrase "...or as agreed by underwriters".

***Territorial limits:*** This sub-section does not affect the regulatory or fiscal position of the insurance contracts entered into under a binding authority. The coverholder's regional approval does not therefore have to match the geographical limits of the insurances or reinsurances bound as stated in this sub-section.

## References to more than one territory

Lloyd's instructions to Xchanging on the completion of the "Insureds domiciled in:" sub-sections 11.2 (LMA 3018, 3019, 3020) and 11.1 (LMA 3005)) are summarised in this section. They reflect a minimum level of schedule completion and underwriters may insist on a greater level of disclosure for their own control and underwriting purposes.

***Use of "worldwide":*** These sub-sections may be completed with the word "worldwide" if:

- the binding authority is held by a Lloyd's broker accredited prior to 1 March 2004; or
- the binding authority is limited to reinsurance or marine cargo insurance only; or
- the coverholder's approval has been extended to all countries and regions.

For all other binding authorities the sub-sections must be completed to show the appropriate territories. If the binding authority permits the coverholder to accept business from virtually every country, the relevant sub-sections may be completed "worldwide except for XXXX".

***Reference to licensed territories:*** If a coverholder has regional approval for the EEA, sub-sections 11.2 (LMA 3018, 3019, 3020) and 11.1 (LMA 3005) may be completed with either "the EU" or "the EEA", as appropriate.

Otherwise countries where Lloyd's is licensed should be separately listed under these sub-sections.

If a coverholder is approved for the US and the USVI, these sub-sections may refer to "the US". If the coverholder is approved for the US only, the sub-sections must refer to "the US excluding the USVI". For their own control purposes, underwriters may wish specifically to include or exclude the states where Lloyd's is licensed, Illinois and Kentucky.

***Reference to unlicensed territories:*** A collective reference to countries where Lloyd's is not licensed or authorised is acceptable: for example "countries where Lloyd's licensing arrangements do not apply". The coverholder must have the appropriate regional approval.

## Appendix 3

### Information on country and regional requirements

#### 1. Australia & Canada

Carrying on insurance business in and from Australia and Canada is regulated by local laws and regulations: see <http://www.lloyds.com/Crystal/> for further information. Lloyd's considers these requirements to justify the continuation of separate regional extension approval for these two countries.

Any coverholder proposing to underwrite business from either Australia or Canada must be aware of all the regulations for placing insurance with Lloyd's and must comply with all legal and fiscal obligations.

#### 2. Switzerland

Lloyd's may grant a regional extension for Switzerland to a non-Swiss coverholder, but there are restrictions on how a non-Swiss coverholder can handle Swiss business:

1. A non-Swiss coverholder can deal directly with a Swiss insured only if it is (i) a Lloyd's broker and (ii) it is registered as an insurance intermediary by the Swiss insurance regulatory authority, the FOPI ("Federal Office of Private Insurance"). Details of this process are available from: <http://www.lloyds.com/Crystal/>, on the pages on "Routes into Lloyd's" for Switzerland.
2. A non-Swiss coverholder that does not meet the two conditions set out in a) above cannot deal directly with Swiss insureds. It can handle Swiss insurance only via a Swiss broker who is approved both by Lloyd's and by FOPI or via a Lloyd's broker registered with FOPI.

Lloyd's will not therefore approve an application from a non-Swiss coverholder who is not a Lloyd's broker to deal directly with Swiss insureds.

#### 3. The USA

There are two important points to note regarding Lloyd's approach to US coverholder approval:

- a) The two US states in which Lloyd's is licensed, Illinois and Kentucky, are no longer treated separately from other US states. There is a single regional approval category of "the USA".

This means that coverholders located in the US and approved by Lloyd's for the US do not need separate Lloyd's approval to accept risks from Illinois and Kentucky. Coverholders with existing approval for the "US (excluding Illinois and Kentucky)", "Illinois" or "Kentucky" now have the new regional approval of "the USA".

**This does not mean that coverholders can carry on insurance business from Illinois and Kentucky in the same way as they carry on insurance business from other US**

**states.** As Lloyd's is a licensed insurer in Illinois and Kentucky, particular requirements apply to coverholders carrying on business there, as detailed on Crystal.

**Coverholders located in other US states, who propose to commence writing insurance business from Illinois and Kentucky, must contact Lloyd's offices in Illinois and Kentucky before they handle business from these states.**

Lloyd's takes protection of its licensed status in Illinois and Kentucky very seriously. Any coverholder accepting a risk from Illinois or Kentucky and failing to comply with local fiscal, regulatory, legal or Lloyd's requirements may be suspended or removed from Lloyd's register of approved coverholders.

- b) For the purposes of coverholder approval, the US Virgin Islands will continue to be treated separately, and not as part of the US.

Market Bulletin Y3931 "Coverholders: US territorial approval", issued 21 December 2006, stated that Lloyd's viewed the terms "the US", "the United States" or similar appellations when used in binding authority documentation as including Illinois, Kentucky and the US Virgin Islands. This continues to apply, so if a coverholder is authorised to obtain business from "the US" it must have its regional approval extended to include both "the US" and "the US Virgin Islands". If it is not intended that the coverholder should be approved for the US Virgin Islands, appropriate references in the binding authority documentation should be to "the US (excluding the US Virgin Islands)".

A Lloyd's coverholder with existing "US" approval is now approved for the licensed states of Illinois and Kentucky, but not for the US Virgin Islands. Coverholders in this position should contact Lloyd's offices in Illinois and Kentucky before seeking to handle business from these states. An existing coverholder located in either Illinois or Kentucky, whose approval has hitherto been limited to its home state only is now approved for all US states and territories other than the US Virgin Islands.

#### **4. The US Virgin Islands (USVI)**

Coverholders continue to require Lloyd's specific regional approval to handle business from the USVI on behalf of Lloyd's managing agents. If Lloyd's gives this approval, the standard conditions applying to the coverholder are set out in <http://www.lloyds.com/Crystal/>. You will find them under "US Virgin Islands: Routes into Lloyd's: Coverholders".

The USVI Insurance Code, Section 220 provides that:

*"No insurer shall issue an insurance contract covering a subject of insurance resident, located, or to be performed in this territory unless the insurance contract or countersignature endorsement is countersigned by its licensed agent."*

Consequently, a coverholder requires Lloyd's USVI regional approval to arrange a contract insuring a risk in the USVI or with an insured domiciled in the USVI. If the coverholder is located in the USVI it must be licensed by the USVI Commissioner of Insurance as an insurance agent. If a coverholder is

located outside the USVI, there are two alternative ways in which it may handle USVI business in compliance with USVI law:

- It may be licensed as a non-resident USVI agent by the USVI Commissioner of Insurance; or
- If it is not licensed as a non-resident USVI agent, it may accept USVI risks only through a resident USVI agent or a non-resident agent who is licensed by the USVI Commissioner of Insurance.

## 5. The European Economic Area (EEA)

The EEA consists of the 27 Member States of the European Union, plus Iceland, Liechtenstein and Norway. For coverholder approval purposes Lloyd's treats Gibraltar as part of the EEA, and the Channel Islands and Isle of Man as part of the UK (see pages 14 & 15 for more information on Gibraltar, the Channel Islands and the Isle of Man).

Coverholders can now obtain from Lloyd's a single regional extension approval for the EEA, which permits the coverholder to arrange insurances for insureds domiciled in any EEA member state. This change to Lloyd's coverholder processes follows implementation of the Insurance Mediation Directive throughout the EEA. A coverholder must comply with applicable legal, fiscal and regulatory requirements - see <http://www.lloyds.com/Crystal/> for details. In particular, coverholders proposing to carry on cross-border business in the EEA should bear in mind the following:

### a) A coverholder located in the EEA must comply with “passporting” requirements before it carries on business in another member state.

This requires the coverholder to notify its home state regulator of its intention to exercise freedom of services or establishment rights for the first time. An intermediary can accept business from or in another member state one month after giving this notification. The other member state may publish “general good” conditions with which the intermediary must comply.

Lloyd's managing agents must satisfy themselves that a coverholder has completed the passporting procedure for a member state before it carries on insurance mediation in that member state. This ensures compliance with the following Insurance Mediation Directive requirement, implemented into member state laws:

*3(6) Member States shall ensure that insurance undertakings use the insurance and reinsurance mediation services only of registered insurance and reinsurance intermediaries and of the persons referred to in Article 1(2)<sup>5</sup>.*

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<sup>5</sup> Article 1(2) contains an exemption essentially applying to defined lines of small premium business, where the intermediary's principle professional activity is not insurance mediation.

As of February 2008, the FSA provides guidance to UK firms on “passporting for insurers and insurance intermediaries” at the following address:

[http://www.fsa.gov.uk/pages/Doing/small\\_firms/insurance/faq/insurers.shtml](http://www.fsa.gov.uk/pages/Doing/small_firms/insurance/faq/insurers.shtml).

**b) A coverholder located outside the EEA does not have automatic rights to carry on insurance mediation in the EEA.**

The position varies: some member states permit non-EEA intermediaries to carry on business in their local market and some do not. This reflects the Insurance Mediation Directive Article 1.3, which reads:

*This Directive shall not affect a Member State’s law in respect of insurance mediation business pursued by insurance and reinsurance intermediaries established in a third country and operating on its territory under the principle of freedom to provide services, provided that equal treatment is guaranteed to all persons carrying out insurance mediation activities on that market.*

Consequently, if Lloyd’s gives a non-EEA coverholder EEA regional approval, the coverholder must respect member state restrictions on its ability to carry on insurance mediation. In many member states it is not possible for the coverholder to deal directly with local insureds and it must do business only with locally registered insurance intermediaries.

**c) Special requirements apply to Spain**

The way in which Spain has chosen to implement the Insurance Mediation Directive has created particular challenges for Lloyd’s underwriters proposing to underwrite Spanish business via coverholders. Detailed guidance on this subject is set out in [Market Bulletin Y4044.pdf](#) “The Law on Mediation of Private Insurance and Reinsurance (Law 26/2006)”, issued 20 July 2007. Note the following:

- A coverholder in Spain has the status of “underwriting agency”. An underwriting agency is not viewed as an insurance intermediary and its activities are not regarded as insurance intermediation. It is not therefore registered by the Spanish insurance supervisor, the DGS.
- The special status of a Spanish coverholder means that registered insurance intermediaries in Spain (insurance brokers and agents) cannot be appointed as coverholders (other than reinsurance brokers). Contrary to the position in other EEA member states, therefore, Spanish coverholders cannot provide evidence that they are registered insurance intermediaries in Spain.
- As a coverholder in Spain is not a registered insurance intermediary its exercise of passporting rights is not straightforward. Some EEA member states may allow it to accept business from them; others may not. The FSA has said that a Spanish coverholder cannot passport into the UK but that it can seek its own FSA authorisation.

- A coverholder located in another EEA member state will usually be a registered insurance intermediary. It may therefore exercise passporting rights in relation to Spain under the Insurance Mediation Directive.
- Before a non-Spanish coverholder arranges insurance cover of Spanish risks, the binding authority must be registered with the DGS. This registration may be carried out by the managing agent, the coverholder or by Lloyd’s Iberia Representative, Lloyd’s office in Spain, on behalf of the parties to the agreement.
- **It is essential that Lloyd’s Iberia Representative is informed in advance of all proposals that a non-Spanish coverholder arrange insurance of risks in Spain or for insureds domiciled in Spain.**

**d) Lloyd’s managing agents can give coverholders in some EEA member states “prior submit” binding authorities only.**

This reflects the authorised position of Lloyd’s underwriters. In the following member states “the Association of underwriters known as Lloyd’s” has “services” authorisation only, not “establishment”. Lloyd’s underwriters can therefore transact insurance business from these member states on a cross-border basis only: neither Lloyd’s underwriters nor anyone acting on their behalf can transact insurance business in these member states<sup>6</sup>:

Austria	Bulgaria	Czech Republic	Estonia
Finland	Hungary	Iceland	Latvia
Liechtenstein	Lithuania	Luxembourg	Poland
Portugal	Romania	Slovakia	Slovenia

A binding authority issued to a coverholder located in these member states cannot therefore give the coverholder discretion to determine whether to accept a risk on behalf of a Lloyd’s managing agent.

This restriction applies to coverholders located in these countries, not to the insurance of risks located in these countries. A coverholder located in an EEA member state where Lloyd’s has establishment authorisation may accept business from one of the above countries under a full binding authority (if it complies with applicable requirements).

**Gibraltar:** Is a territory within the EEA for which the UK is responsible. The UK and Gibraltar have special arrangements under the Gibraltar Order, which have been extended to include insurance intermediaries. A coverholder whose Lloyd’s regional approval is extended to the EEA may accept business from Gibraltar on behalf of a Lloyd’s managing agent.

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<sup>6</sup> This list of countries is subject to change.

**Channel Islands and the Isle of Man:** These territories are in neither the EEA nor the UK. Nevertheless, Lloyd's does not require coverholders to obtain separate approval for these territories and Lloyd's adopts the following approaches:

- Lloyd's "standard" approval of a UK-based coverholder to accept UK risks on behalf of a Lloyd's managing agent is deemed to include the Channel Islands and the Isle of Man.
- Lloyd's "standard" approval of a coverholder based in the Channel Islands and the Isle of Man permits the coverholder to accept risks from the UK.
- Lloyd's EEA regional extension approval for a non-UK coverholder is deemed to include the Channel Islands and the Isle of Man.

Insurance intermediaries carrying on business in Guernsey<sup>7</sup>, Jersey and the Isle of Man require local registration. Although there are exemptions to these requirements, a coverholder transacting business from these territories should ensure that either it is registered, fits into an applicable exemption or its activities in relation to insurance from the territory do not otherwise require registration. As these territories are outside the EEA, the "passporting" procedure is not available in relation to them to EEA intermediaries.

**Definition of EEA member states:** Individual member states are defined as including territories associated with them. An EEA regional extension approval therefore permits a coverholder to handle business on behalf of a Lloyd's managing agent from these territories. Examples are given below:

**Denmark:** Includes the Faroe Islands, but does not include Greenland.

**France:** Includes its overseas departments ("DOM's"): Guadelupe, la Guyane (French Guyana), Martinique and La Réunion; its collectivités d'outre-mer ("COM's"): French Polynesia, St Martin, St Barthélemy, Wallis & Futuna Islands; its collectivités départementales: Mayotte, St Pierre et Miquelon; and its other overseas territories: French Southern & Antarctic Lands, and New Caledonia. It also includes Monaco.

**Italy:** Includes Campoine D'Italia and Livigno. When granting regional approval extensions, Lloyd's also treats Vatican City and San Marino as parts of Italy.

**Portugal:** Includes Azores and Madeira.

**Spain:** Includes the Balearic and Canary Islands and those places in North Africa under Spanish sovereignty including Ceuta and Melilla.

**Application of the new system to existing coverholders:** The introduction of the new system will affect existing approved coverholders as follows:

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<sup>7</sup> The Balliwick of Guernsey includes Alderney, Sark and Herm, as well as other islands.

- Coverholder in an EEA member state, with no territorial extensions: continues to be approved for its own country only. To accept business from other EEA member states, it needs to apply for a regional extension for “the EEA”.
- Coverholder in an EEA member state, with a territorial extension for another EEA member state: now has a regional extension for “the EEA”.
- Coverholder outside the EEA with a territorial extension for an EEA member state: now has a regional extension for “the EEA”.

## 6. Other licensed territories

Extension of coverholder regional approval to “other licensed territories” permits a coverholder to accept business on behalf of Lloyd’s underwriters from all countries where Lloyd’s is licensed other than Australia, Canada, Switzerland, the USA, the USVI and EEA member states.

Managing agents and their coverholders are responsible for ensuring that business is sold, accepted and otherwise carried on in accordance with all applicable laws and regulations and that all the entities involved in the distribution chain have the appropriate licences or other regulatory approvals.

As previously noted, details of requirements for individual countries are available from the appropriate pages of [www.lloyds.com/crystal](http://www.lloyds.com/crystal), under “Routes into Lloyd’s: coverholders”. Requirements for some countries where Lloyd’s is a licensed insurer are set out below.

- **Israel:** An Israeli coverholder handling direct insurance business must be licensed by the Commissioner of Insurance in Israel for the particular classes which they propose to transact on Lloyd’s underwriters’ behalf. A non-Israeli coverholder can arrange the insurance of an Israeli risk, or for an Israeli client (if it has “other licensed territories” approval), but if it is visiting clients in Israel to solicit business or has any presence in Israel, it must be licensed by the Commissioner of Insurance in Israel for the classes of business it is carrying on.
- **Singapore:** Lloyd’s underwriters cannot appoint coverholders in Singapore. The only exceptions permitted to this rule are managing agent service companies operating within Lloyd’s Asia.
- **South Africa:** Lloyd’s has to record all business meeting the definition of “South African” for reporting and trust fund reserving purposes, including that written under binding authorities. If the business comes via a local South African intermediary, it must be licensed under the South African Financial Advisory and Intermediary Services Act and must be approved by Lloyd’s as an open market correspondent.
- **Bahamas, Barbados, Belize and Dominica:** All insurance contracts relating to insureds domiciled in these territories must be placed via insurance intermediaries who are locally registered. This means that a non-resident coverholder can handle such risks via a locally registered intermediary only. It cannot deal directly with an insured domiciled in one of these territories.

## 7. Non-Licensed territories

If a coverholder accepts business from a territory where Lloyd's underwriters do not have a licence or authorisation, the managing agent(s), Lloyd's broker and coverholder all have obligations to ensure that business is carried on in accordance with local legal and regulatory requirements. Lloyd's underwriters and those acting on their behalf are usually prohibited from "carrying on insurance business" in countries where Lloyd's underwriters are not licensed, which means that insurance business cannot be solicited and insurance contracts cannot be negotiated or arranged locally. This may make it difficult or impossible for a coverholder to be appointed in a "non-licensed" territory.

But it is possible for a coverholder in a licensed territory lawfully to arrange an insurance contract covering a risk situated, or an insured domiciled, in a non-licensed territory. For example, a contract may fall under an exemption in a non-licensed territory's insurance law, or a non-licensed territory's law may not prevent a citizen from seeking insurance from a non-admitted insurer. Details of exemptions under insurance laws may be found on [www.loyds.com/crystal](http://www.loyds.com/crystal).

Insurance intermediaries acting on behalf of clients to arrange insurance cover should note that insurance laws in some countries make it an offence for a person to obtain insurance from a non-licensed insurer.

Appendix 4

**Coverholder regional extensions: categorisation of countries**

*The requirement for regional extension approval does not apply to reinsurance or to marine cargo insurance. Allocation of a country to a particular region is for Lloyd's purposes only.*

Country	Approval category	Country	Approval category
Afghanistan	Non-licensed	Albania	Non-licensed
Algeria	Non-licensed	American Samoa	US
Andorra	Non-licensed	Angola	Non-licensed
Anguilla	Other licensed	Antigua	Other licensed
Argentina	Non-licensed	Armenia	Non-licensed
Aruba	Non-licensed	Australia	<b>Specific approval</b>
Austria	EEA	Azerbaijan	Non-licensed
Bahamas	Other licensed	Bahrain	Non-licensed
Bangladesh	Non-licensed	Barbados	Other licensed
Belarus	Non-licensed	Belgium	EEA
Belize	Other licensed	Benin	Non-licensed
Bermuda	Other licensed	Bhutan	Non-licensed
Bolivia	Non-licensed	Bosnia	Non-licensed
Botswana	Non-licensed	Brazil	Non-licensed
British Virgin Islands	Other licensed	Brunei	Non-licensed
Bulgaria	EEA	Burkina Faso	Non-licensed
Burma	Non-licensed	Burundi	Non-licensed
Cambodia	Non-licensed	Cameroon	Non-licensed
Canada	<b>Specific approval</b>	Cape Verde Islands	Non-licensed
Cayman Islands	Other licensed	Central African Rep.	Non-licensed
Chad	Non-licensed	Chile	Non-licensed
China	Non-licensed	Colombia	Non-licensed
Comoro Islands	Non-licensed	Congo	Non-licensed
Costa Rica	Non-licensed	Cote d'Ivoire	Non-licensed
Croatia	Non-licensed	Cuba	Non-licensed
Cyprus	EEA	Czech Republic	EEA
Dem. Rep of Congo	Non-licensed	Denmark	EEA
Djibouti	Non-licensed	Dominica	Other licensed
Dominican Republic	Non-licensed	East Timor	Non-licensed
Ecuador	Non-licensed	Egypt	Non-licensed
El Salvador	Non-licensed	Equatorial Guinea	Non-licensed
Eritrea	Non-licensed	Estonia	EEA
Ethiopia	Non-licensed	Falkland Islands	Non-licensed
Fiji	Non-licensed	Finland	EEA
France	EEA	French Guiana	EEA
French Polynesia	EEA	Gabon	Non-licensed
Gambia	Non-licensed	Georgia	Non-licensed

Country	Approval category	Country	Approval category
Germany	EEA	Ghana	Non-licensed
Gibraltar	EEA	Greece	EEA
Greenland	Non-licensed	Grenada	Other licensed
Guadeloupe	EEA	Guam	US
Guatemala	Non-licensed	Guernsey	EEA
Guinea	Non-licensed	Guinea-Bissau	Non-licensed
Guyana	Non-licensed	Haiti	Non-licensed
Honduras	Non-licensed	Hong-Kong SAR	Other licensed
Hungary	EEA	Iceland	EEA
India	Non-licensed	Indonesia	Non-licensed
Iran	Non-licensed	Iraq	Non-licensed
Ireland	EEA	Isle of Man	EEA
Israel	Other licensed	Italy	EEA
Jamaica	Other licensed	Japan	Other licensed
Jersey	EEA	Jordan	Non-licensed
Kazakhstan	Non-licensed	Kenya	Non-licensed
Kiribati	Non-licensed	Kuwait	Non-licensed
Kyrgystan	Non-licensed	Labuan	Non-licensed
Laos	Non-licensed	Latvia	EEA
Lebanon	Non-licensed	Lesotho	Non-licensed
Liberia	Non-licensed	Libya	Non-licensed
Liechtenstein	EEA	Lithuania	EEA
Luxembourg	EEA	Macau	Non-licensed
Macedonia	Non-licensed	Madagascar	Non-licensed
Malawi	Other licensed	Malaysia	Non-licensed
Maldives	Non-licensed	Mali	Non-licensed
Malta	EEA	Martinique	EEA
Mauritania	Non-licensed	Mauritius	Other licensed
Mexico	Non-licensed	Moldova	Non-licensed
Monaco	EEA	Mongolia	Non-licensed
Montenegro	Non-licensed	Montserrat	Non-licensed
Morocco	Non-licensed	Mozambique	Non-licensed
Namibia	Other licensed	Nauru	Non-licensed
Nepal	Non-licensed	Netherlands Antilles	Non-licensed
Netherlands	EEA	New Caledonia	EEA
New Zealand	Other licensed	Nicaragua	Non-licensed
Niger	Non-licensed	Nigeria	Non-licensed
North Korea	Non-licensed	N. Mariana Islands	US
Norway	EEA	Oman	Non-licensed
Pakistan	Non-licensed	Palestine	Non-licensed
Panama	Non-licensed	Papua New Guinea	Other licensed
Paraguay	Non-licensed	Peru	Non-licensed
Philippines	Non-licensed	Poland	EEA

Country	Approval category	Country	Approval category
Portugal	EEA	Puerto Rico	US
Qatar	Non-licensed	Reunion	EEA
Romania	EEA	Russia	Non-licensed
Rwanda	Non-licensed	Saint Barthelemy	EEA
St Kitts & Nevis	Other licensed	St Lucia	Other licensed
Saint Martin	EEA	St Vincent	Other licensed
Samoa	Non-licensed	Saudi Arabia	Non-licensed
Senegal	Non-licensed	Serbia	Non-licensed
Seychelles	Non-licensed	Sierra Leone	Non-licensed
Singapore	Other licensed	Slovakia	EEA
Slovenia	EEA	Solomon Islands	Non-licensed
Somalia	Non-licensed	South Africa	Other licensed
South Korea	Non-licensed	Spain	EEA
Sri Lanka	Non-licensed	Sudan	Non-licensed
Suriname	Non-licensed	Swaziland	Non-licensed
Sweden	EEA	Switzerland	<b>Specific approval</b>
Syria	Non-licensed	Taiwan	Non-licensed
Tajikistan	Non-licensed	Tanzania	Non-licensed
Thailand	Non-licensed	Togo	Non-licensed
Tonga	Non-licensed	Trinidad & Tobago	Other licensed
Tunisia	Non-licensed	Turkey	Non-licensed
Turkmenistan	Non-licensed	Turks & Caicos	Non-licensed
Tuvalu	Non-licensed	United Arab Emirates	Non-licensed
Uganda	Non-licensed	United Kingdom	EEA
Ukraine	Non-licensed	Uruguay	Non-licensed
US	<b>Specific approval</b>	US Virgin Islands	<b>Specific approval</b>
Uzbekistan	Non-licensed	Vanuatu	Other licensed
Venezuela	Non-licensed	Vietnam	Non-licensed
Wallis & Futuna	EEA	Western Sahara	Non-licensed
Yemen	Non-licensed	Zambia	Non-licensed
Zimbabwe	Other licensed		