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LOCATION: 86/G12
EXTENSION: 6520
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REFERENCE: Y2364
SUBJECT: PAPUA NEW GUINEA
SUBJECT AREA(S): Offshore Reinsurance Placements
ATTACHMENTS: Appendix 1 Facultative Reinsurance Exemption
Application
Appendix 2 Treaty Reinsurance Placement Application
ACTION POINTS: **Managing Agents, Brokers and Underwriters to note**
DEADLINE: **With immediate effect**

Reinsurance Placements

The Office of the Insurance Commissioner in Papua New Guinea has recently adopted a new policy in respect of the treatment of offshore reinsurance placements.

By law, all risks situated within the country for which insurance is required (including reinsurance) must be placed with a locally licensed insurer under the Insurance Act 1995. This is provided for in Sections 36 and 37 of the Act.

The Insurance Commissioner has advised that the primary objectives of Sections 36 and 37 are twofold:

1. To promote and encourage local participation thereby allowing growth in the local market; and
2. To retain risks and premiums to the maximum extent and consistent with prudential standards and industry capacity.

The Insurance Commissioner believes that the current practice of remitting reinsurance premiums offshore defeats the intent of the Act and has introduced plans to enforce this new policy with the establishment of a local reinsurer, Pacific Re Limited. Therefore, with immediate effect, any reinsurance requirements should be forwarded to Pacific Re, by the local intermediary, for their consideration. Any requests for offshore reinsurance placements will be subject to:

1. Confirmation that the risk(s) have been offered to Pacific Re.
2. That maximum participation from Pacific Re has been effected.

Approval will only be considered for those requests where Pacific Re's participation and capacity has been fully utilised, evidence of which will have to be submitted. However, where a local insurer has existing arrangements with an offshore reinsurer in respect of their reinsurance programme, the Insurance Commissioner has confirmed that he will consider these on a case by case basis.

Attached as Appendices 1 and 2 are the forms that would be required to be submitted when making a request for offshore reinsurance placements. Lloyd's brokers and underwriters should ensure that they receive a copy of this completed form, when considering reinsurance from a Papua New Guinea intermediary, to ensure that Pacific Re, in the first instance, has been "utilised".

If you have any questions relating to this bulletin, please contact Maxine Hooper, International Department 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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