

**FROM:** Senior Manager, Worldwide Markets (Compliance)  
**LOCATION:** 86/GY12  
**EXTENSION:** 5349  
**DATE:** 26 February 2002  
**REFERENCE:** Y2738  
**SUBJECT:** SOUTH AFRICAN BANK ACCOUNTS  
**SUBJECT AREA(S):** Revised Operating Procedures in the light of the introduction of VAT  
**ATTACHMENTS:** Endorsement  
**ACTION POINTS:** **Managing Agents, Brokers and Underwriters to note**  
**DEADLINE:** **Immediate**

Market Bulletin Y2480 dated 9 February 2001 explained that Lloyd's South Africa (LSA) could provide a facility whereby underwriters at Lloyd's could open bank accounts in South Africa to collect premium in relation to personal lines business. This facility was offered to assist underwriters in complying with Part 4 of the Regulations under the Short Term Insurance Act No. 53 of 1998.

LSA produced a guideline wording outlining the operating procedures for this type of bank account and which set out the appropriate financial controls. It is now necessary to revise the operating procedures to incorporate guidelines concerning VAT payments from the account.

These operating procedures must form part of the binding authority agreement, however, the wording can be altered to suit the purposes of each bank account held, subject to the prior written approval of LSA. The new guideline wording is attached as Appendix 1.

LSA will not be able to transfer funds from the South African bank accounts and Ins-sure will not be able to process any binding authority contracts until the necessary endorsements/wordings appear on the slip and are attached to the binding authority agreement. This will include LSW 1074a and LSW1073 (where a bank account is required or in operation) together with the operating procedures. Please note that existing binding authority agreements do not need to include the new operating procedures, until they are renewed.

Ins-sure will accept the new operating procedures with immediate effect, and query where the old procedures are used on any binding authority incepting on or after the date of this bulletin.

If you have any queries about this please contact any of the following:

Lloyd's Worldwide Markets

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We have sent this bulletin to underwriters, Lloyd's brokers and managing agents,

Andrew Smith  
Senior Manager  
Worldwide Markets, Compliance

## Operating Procedures for Bank Accounts held with Lloyd's South Africa

These procedures have been drawn up so that all parties may agree the flow of premium in terms of Section 45 of the Insurance Act, No 53 of 1998 and the regulations under the said Act.

It is hereby understood and agreed by Underwriters that ..... (*the coverholder or any other party acting on behalf of Underwriters*) is authorised to collect premium under contract no..... and remit the said premiums to a designated account held with Lloyd's South Africa (LSA).

\*It is hereby understood and agreed by Underwriters that a claims settlement fund at inception of R..... is to be debited from the premiums and handled by the coverholder on a rolling basis maintained monthly. This amount will be interest earning to the benefit of [insert name of the Underwriters] and will be held in a separate trust account.

It is agreed by Underwriters that LSA may debit the account to pay VAT to the South African Revenue Services as instructed by the coverholder. In addition, any VAT inputs due to underwriters may be credited to the account.

..... (*the coverholder or any other party acting on behalf of Underwriters*) will instruct LSA to **top up the claims fund on a monthly basis\*** and pay, where applicable, coverholder commission, local broker commission and Lloyd's tax to ..... (*the coverholder or any other party as required by Underwriters*). In addition, .....(*the coverholder or any other party acting on behalf of Underwriters*) will also instruct LSA to remit the net premium and Lloyd's broker commission, less bank charges and the monthly administration charge levied by LSA, to the Lloyd's broker. The interest income earned on the premiums held in the account will for the benefit of Underwriters.

..... (*the coverholder*) is responsible for paying the Lloyd's tax to the South African Revenue Services.

\* *Delete if not applicable*