

FROM: Senior Manager, Compliance, Worldwide Markets
LOCATION: 86/G12
EXTENSION: 5349
DATE: 4 April 2002
REFERENCE: Y2762
SUBJECT: HONG KONG EMPLOYEES' COMPENSATION BUSINESS
SUBJECT AREA(S): Information for syndicates writing Employees' Compensation business in Hong Kong
ATTACHMENTS:
ACTION POINTS:
DEADLINE: **Immediate**

Market bulletin Y2693 issued on the 11 January 2002 informed underwriters that Lloyd's could not write Hong Kong Employees' Compensation business unless Lloyd's signed up to the government facility covering terrorism. Employees' Compensation is a compulsory class of business in Hong Kong and local law makes it illegal to exclude terrorism from a direct Employees' Compensation policy. The Hong Kong Government introduced a facility with a limit of HK\$10 billion (approximately £900 million) in the aggregate to cover direct insurers' liability under their insurance policies for direct Employees' Compensation claims arising out of terrorism.

Lloyd's signed up to the agreement on the 4 April 2002. The facility is available to participating insurers contingent upon payment of a monthly 3% charge on gross premiums for Employees' Compensation business. This refers to premiums paid or payable to the insurer for insurance policies written or renewed in each calendar month. Payment of the charge must be made within 10 working days of the end of each month with penalties for late payment.

Lloyd's Worldwide Markets is aware of only one coverholder in Hong Kong transacting this class of business. Arrangements have been made with this coverholder to collect and pay the

necessary charge via the Lloyd's Hong Kong office with the managing agents of the subscribing syndicates entering into an agreement (including an indemnity) with Lloyd's.

If any other syndicate wishes to write this class of business, either under a binding authority or open market basis, they are required to contact Alex Faris (Lloyd's extension 6854 or email: alexandra.c.faris@lloyds.com) or Andrew Smith (details below) in Worldwide Markets, before writing the business. Arrangements will then be made for the payment of the charge due to the Hong Kong Government and reporting the data. Management agents of the syndicates will also be asked to enter into an agreement with Lloyd's. Full details of the agreement with the Hong Kong Government and the agreement with Lloyd's are available from Worldwide Markets.

Xchanging Ins-sure Services have been instructed not to process any slips for Hong Kong Employees' Compensation business unless prior approval has been given by Worldwide Markets.

This market bulletin is being sent to active underwriters, compliance officers, brokers and market associations.

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