

FROM: Head of Market Reporting
LOCATION: 86/G5
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DATE: 9 January 2003
REFERENCE: Y2968
SUBJECT: US TERRORISM RISK INSURANCE ACT 2002 (“TRIA”):
NEW RISK CODES
ATTACHMENTS: None

This bulletin is to inform underwriters, managing agents and brokers of the introduction of 12 new risk codes which must be used with immediate effect on all applicable terrorism risks falling within the definitions given below.

The new risk codes reflect the existing Lloyd’s US Lines of Business and FSA Accounting Classes, and should enable syndicates to track terrorism premiums through their accounting systems and help syndicates to monitor terrorism exposure in their underwriting portfolios.

1 New Risk Codes

1.1 The new risk codes and their descriptions are as follows. Please note that all energy business should be processed using the 4 energy-specific codes listed overleaf:

Risk Code	Definition
	Overseas Terrorism business written as a result of a legislative requirement made by a non-UK government to provide terrorism cover ...
1T	- Accident & Health
2T	“ - Aviation
3T	“ - Marine
4T	“ - Miscellaneous & Pecuniary Loss
5T	“ - Motor
6T	“ - Property
7T	“ - Third Party Liability
8T	“ - Transport

Risk Code	Definition
	Overseas Terrorism business written as a result of a legislative requirement made by a non-UK government to provide terrorism cover ...
1E	- Energy Offshore Property Damage
2E	“ - Energy Offshore Liability
3E	“ - Energy Onshore Property Damage
4E	“ - Energy Onshore Liability

- 1.2 In order to enable these risk codes to be used to report business written in other jurisdictions if requirements arise in the future, the above definitions do not make reference to TRIA. Identification of jurisdictions will be achieved via FIL coding. Thus, a policy coded 3T which has a USA FIL code would be deemed to be a marine terrorism risk falling within the scope of TRIA (a list of FIL codes denoting US exposure is included for information at Annexe 1 to this bulletin). **Please note that the above codes should therefore only be used for terrorism business which is written as a result of legislative requirements.**

2 Practical Measures

- 2.1 The LMA have requested that all applicable business that has been written without the new codes appended to the slip and not yet been presented to Xchanging Ins-sure Services (Ins-sure), should be recalled and amended. Also, business for the 2003 year of account and prior which falls under the remit of the new risk codes above, that has already been presented and signed without these new risk codes, should be amended.
- 2.2 Agents should note that responsibility lies with the lead underwriter to ensure that the broker re-presents the slip to the market in order that the new codes are correctly entered and that the following market has an opportunity to re-reference. The broker must then submit the slip to Ins-sure in order that the new slip section can be signed and the terrorism premium closed to syndicates in the usual way.
- 2.3 Annexe 2 to this bulletin details how the new risk codes should be selected (Annexe 2 also shows US Lines of Business and Solvency Categories, together with FSA Accounting Classes and Risk Groups). Selection of a new risk code should be made according to the risk code under which the policy was originally processed (please note that TRIA applies only to direct business). **For risks originally split across more than one risk code, the terrorism-related additional premium should be similarly split across the appropriate new terrorism risk codes.**
- 2.4 We appreciate that Annexe 2 does include certain risk codes which cover types of business which do not fall within the scope of TRIA. However, given that similar overseas legislative measures effected in the future may differ in scope from TRIA, it is felt that it would be inappropriate at this time to restrict the new terrorism codes to only those which fall within the scope of TRIA.
- 2.5 Managing agents should note that any additional premium should be signed to the same year of account as the original main peril, based on inception date accounting rules. This ensures that the additional premium is signed into the year of account from which a related claim would be paid. **The new codes are applicable from and including the 2000 year of account.** Premium for 1999 and prior should be signed to the appropriate year under the

original risk code(s): a record of all such signings should be kept by the managing agency.

- 2.6 Managing agencies should also note that, where a risk has split years of account (e.g. where an annual re-signing takes place but certain syndicates are unable to write forwards and are permitted to remain in an earlier year of account whilst the balance of the market signs forward), then separate signings will be required for each market.
- 2.7 Ins-sure have been asked to use a standard narrative text on all US TRIA risk signings. Where the slip clearly identifies premium as relating to the US TRIA, Ins-sure will insert reference to 'TRIA' in the narrative. This term will appear within the Underwriters Signing Message (USM) Segment Position R2.1-99 Detail Section - Free Text. For any additional premiums this term will appear within line 8 of the narrative. For new original premiums it will appear in line 5.
- 2.8 In order for Ins-sure to record in this manner, underwriters and brokers must ensure that closings relating to these premiums are closed on a separate LPAN and clearly identified. Furthermore, in order for syndicates to be able to fulfil the requirements under TRIA to be able to demonstrate that the terms and conditions of the TRIA coverage are not materially different from those relating to the original main peril policy, both slip sections must bear the same UMR. The important factor is for syndicates to be able to link the new risk coded terrorism cover to the original main policy.

3 US Reporting Issues

- 3.1 The introduction of these risk codes should allow syndicates to identify business where a terrorism AP becomes payable. Work is still continuing to understand, develop and agree the reporting requirements and methodology for Lloyd's that will be needed to ensure compliance with the Act. It is unclear at this time whether any changes will be necessary to Lloyd's existing US reporting resulting from the Act. **Syndicates should therefore note that it may become necessary to issue further instructions on coding requirements once the reporting position becomes clearer.** Further information will be published to the market as and when this is available.
- 3.2 **It is therefore important that the new risk codes are not used alone, but only in conjunction with existing risk codes.** This will enable TRIA premium to be analysed at original risk code level should future reporting requirements necessitate this.

4 Current Terrorism-related Risk Codes

- 4.1 The current terrorism related risk codes will remain in force and are listed below:

Risk Code	Definition
BD	Terrorism – Pool Re.
TE	Malicious Damage & Terrorism written on LSW237, 237a or 239
TO	Terrorism – Overseas Stand Alone <i>which does not fall within the scope of 1T to 8T or 1E to 4E</i>
TU	Terrorism – UK (excluding Channel Islands, Isle of Man and Northern Ireland) Stand Alone Terrorism Business which is not Pool Re.

- 4.2 Please note that the definition of risk code “TO” has been amended to expressly exclude business which falls within the scope of the new terrorism risk codes listed above: the amendment is shown in italics above. “TO” should therefore be used for those risks where

the scope of terrorism cover being provided is wider than that required under local legislation.

In these cases, it will be necessary to separate out terrorism cover under the overseas legislation from any additional coverage provided i.e. in order to record such business correctly in syndicates' accounts, such cover should be coded under "TO" and one of the new terrorism risk codes listed at 1.1 above.

5 Further Information

Treasury press releases and Interim Guidance can be accessed via the US Treasury web site at: <http://www.treasury.gov/offices/domestic-finance/financial-institution/terrorism-insurance/documents.html> . Interim guidance was issued by the US Treasury on 3rd December 2002 (see market bulletin Y2935), and on 19th December 2002.

The NAIC provide information on the US Terrorism Risk Insurance Act of 2002 via their web site at: www.naic.org/general.htm

NAPSLO also provide information at:

<http://www.napslo.org/content/News/BreakingNews/brknews.htm>

Information on ISO forms can be located at: <http://www.iso.com/filings/response.html>

6 Enquiries:

The Market Services Desk at box 190b, or to Lloyd's extension 6677, (or to market.services@lloyds.com).

Alternatively, questions may be directed to Martin Roberts at the LMA on Lloyd's extension 8370 or by E:mail to martin.roberts@lloyds.com.

This bulletin is being sent to active underwriters, underwriting agents, Lloyd's brokers and recognised auditors.

John Parry

US FIL CODES DENOTING US EXPOSURE

4-Character FIL Code	2-Character Market/Tax Code	Settlement Currency	Description
ILA1	1A	USD	Illinois licensed business
ILC1	1C	USD	Illinois surplus line business
KYA1	4A	USD	Kentucky licensed business
KYB1	4B	USD	Kentucky licensed business – direct assured basis
USL1	5D	USD	US surplus lines business (excluding Illinois).
USE1	5D	USD	US insured, via a US broker, with risk located in USA.
USA1	5E	USD	US insured, no US broker, with risk located in USA.
USB1	5D	USD	Non-US insured, no US broker, with risk located in the USA.
NUB1	6B	USD	Non-US insured, via a US broker, with risk located in USA.
NUS1	6B	USD	Surplus lines business relating to Puerto Rico, Northern Mariana Islands, American Samoa and Guam
YUS1	0A	NOT USD	USA regulated risk exposure not settled in USD.
YUT1	0A	NOT USD	USA non- regulated risk exposure not settled in USD.

Please note:

1. These codes are all for direct insurance business.
2. It should also be noted that the two-character Market/Tax Codes are not unique to the four-character codes shown. The four character codes should be used to identify qualifying US exposures in syndicates' accounts.
3. These codes are predominantly for USD business. One extra new code has been set up to identify any non-USD risks that have USA exposure, but where the risk criteria mean that the policy is not subject to US regulation, i.e. it would not qualify for surplus lines or licensed reporting and funding. The new code is YUT1. It may be used, for example, on a global policy for a non-US insured but where risk exposure exists within the USA.
4. In order for Ins-sure to code premiums correctly, underwriters and brokers must ensure that US exposure is clearly identified on the slip and premium allocated accordingly. Failure to do this will mean that the business cannot be given an accurate FIL code. Ins-sure will not query for the absence of US exposure. **Underwriters are reminded that the calculation of the deductible for TRIA requires the identification and quantification of US exposures, irrespective of whether TRIA coverage applies or not.**

<u>NEW TERROR RISK CODE</u>	<u>RISK CODE</u>	<u>US LINE OF BUSINESS</u>	<u>FSA ACCOUNTING CLASS</u>
1T	DX	OTHER ACCIDENT AND HEALTH	Accident & Health
	K	OTHER ACCIDENT AND HEALTH	Accident & Health
	KA	OTHER ACCIDENT AND HEALTH	Accident & Health
	KC	OTHER ACCIDENT AND HEALTH	Accident & Health
	KD	OTHER ACCIDENT AND HEALTH	Accident & Health
	KK	OTHER ACCIDENT AND HEALTH	Accident & Health
	KL	OTHER ACCIDENT AND HEALTH	Accident & Health
	KM	OTHER ACCIDENT AND HEALTH	Accident & Health
	KX	OTHER ACCIDENT AND HEALTH	Accident & Health
	TL	N/A	Accident & Health
2T	1	AIRCRAFT (ALL PERILS)	Aviation
	2	AIRCRAFT (ALL PERILS)	Aviation
	3	AIRCRAFT (ALL PERILS)	Aviation
	4	AIRCRAFT (ALL PERILS)	Aviation
	5	AIRCRAFT (ALL PERILS)	Aviation
	6	AIRCRAFT (ALL PERILS)	Aviation
	7	AIRCRAFT (ALL PERILS)	Aviation
	8	AIRCRAFT (ALL PERILS)	Aviation
	9	AIRCRAFT (ALL PERILS)	Aviation
	AO	AIRCRAFT (ALL PERILS)	Aviation
	AP	AIRCRAFT (ALL PERILS)	Aviation
	AR	AIRCRAFT (ALL PERILS)	Aviation
	AW	AIRCRAFT (ALL PERILS)	Aviation
	AX	AIRCRAFT (ALL PERILS)	Aviation
	CX	AIRCRAFT (ALL PERILS)	Aviation
	H	AIRCRAFT (ALL PERILS)	Aviation
	HX	AIRCRAFT (ALL PERILS)	Aviation
	L	AIRCRAFT (ALL PERILS)	Aviation
	LX	AIRCRAFT (ALL PERILS)	Aviation
	PX	AIRCRAFT (ALL PERILS)	Aviation
	RX	AIRCRAFT (ALL PERILS)	Aviation
	SC	AIRCRAFT (ALL PERILS)	Aviation
	SL	AIRCRAFT (ALL PERILS)	Aviation
	SO	AIRCRAFT (ALL PERILS)	Aviation
	SX	AIRCRAFT (ALL PERILS)	Aviation
	X1	AIRCRAFT (ALL PERILS)	Aviation
	XY	AIRCRAFT (ALL PERILS)	Aviation
	XZ	AIRCRAFT (ALL PERILS)	Aviation
	Y1	AIRCRAFT (ALL PERILS)	Aviation
	Y2	AIRCRAFT (ALL PERILS)	Aviation
	Y3	AIRCRAFT (ALL PERILS)	Aviation
	Y4	AIRCRAFT (ALL PERILS)	Aviation
	Y5	AIRCRAFT (ALL PERILS)	Aviation
	Y6	AIRCRAFT (ALL PERILS)	Aviation
	Y7	AIRCRAFT (ALL PERILS)	Aviation
	Y8	AIRCRAFT (ALL PERILS)	Aviation
Y9	AIRCRAFT (ALL PERILS)	Aviation	
ZX	AIRCRAFT (ALL PERILS)	Aviation	

<u>NEW TERROR RISK CODE</u>	<u>RISK CODE</u>	<u>US LINE OF BUSINESS</u>	<u>FSA ACCOUNTING CLASS</u>
3T	B	OCEAN MARINE	Marine
	G	OCEAN MARINE	Marine
	GC	OCEAN MARINE	Marine
	GX	OCEAN MARINE	Marine
	O	OCEAN MARINE	Marine
	OX	OCEAN MARINE	Marine
	SR	OCEAN MARINE	Marine
	T	OCEAN MARINE	Marine
	TX	OCEAN MARINE	Marine
	W	OCEAN MARINE	Marine
	WX	OCEAN MARINE	Marine
	X2	OCEAN MARINE	Marine
	X5	OCEAN MARINE	Marine
	XE	OCEAN MARINE	Marine
XT	OCEAN MARINE	Marine	
4T	BS	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
	CF	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
	CN	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
	CP	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
	CR	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
	FC	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
	FG	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
	FM	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
	FS	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
	LE	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
	P	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
	PB	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
	PC	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
	PE	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
	PF	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
	PN	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
	PO	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
	PP	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
	PQ	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
	PR	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss
PS	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss	
PU	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss	
PW	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss	
PZ	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss	
SB	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss	
WA	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss	
WS	PECUNIARY LOSS	Miscellaneous & Pecuniary Loss	
5T	MA	N/A	Motor
	MB	N/A	Motor
	MC	N/A	Motor
	MD	AUTO PHYSICAL DAMAGE	Motor
	ME	AUTO PHYSICAL DAMAGE	Motor
	MF	AUTO PHYSICAL DAMAGE	Motor
	MG	AUTO PHYSICAL DAMAGE	Motor
	MH	AUTO PHYSICAL DAMAGE	Motor
	MI	AUTO PHYSICAL DAMAGE	Motor
	MK	N/A	Motor
	ML	N/A	Motor

<u>NEW TERROR RISK CODE</u>	<u>RISK CODE</u>	<u>US LINE OF BUSINESS</u>	<u>FSA ACCOUNTING CLASS</u>	
5T (cont'd)	MM	AUTO PHYSICAL DAMAGE	Motor	
	MN	AUTO PHYSICAL DAMAGE	Motor	
	MP	AUTO PHYSICAL DAMAGE	Motor	
	XM	AUTO PHYSICAL DAMAGE	Motor	
6T	AG	PROPERTY	Property	
	BD	PROPERTY	Property	
	CA	PROPERTY	Property	
	DC	PROPERTY	Property	
	F	PROPERTY	Property	
	FA	PROPERTY	Property	
	FR	PROPERTY	Property	
	GS	PROPERTY	Property	
	HA	PROPERTY	Property	
	HP	PROPERTY	Property	
	JB	PROPERTY	Property	
	LJ		N/A	Property
	N	PROPERTY		Property
	NB	PROPERTY		Property
	NP	PROPERTY		Property
	NX	PROPERTY		Property
	PD	PROPERTY		Property
	TE	PROPERTY		Property
	TO	PROPERTY		Property
	TR	PROPERTY		Property
TU	PROPERTY		Property	
WL	PROPERTY		Property	
X3	PROPERTY		Property	
XC	PROPERTY		Property	
XP	PROPERTY		Property	
XX	PROPERTY		Property	
7T	BB	OTHER LIABILITY	Third Party Liability	
	DM	OTHER LIABILITY	Third Party Liability	
	DO	OTHER LIABILITY	Third Party Liability	
	GP	OTHER LIABILITY	Third Party Liability	
	NA	OTHER LIABILITY	Third Party Liability	
	NC	OTHER LIABILITY	Third Party Liability	
	NL	OTHER LIABILITY	Third Party Liability	
	PI	OTHER LIABILITY	Third Party Liability	
	PL	OTHER LIABILITY	Third Party Liability	
	PM	OTHER LIABILITY	Third Party Liability	
	UA	OTHER LIABILITY	Third Party Liability	
	UC	OTHER LIABILITY	Third Party Liability	
	WC	OTHER LIABILITY	Third Party Liability	
	X4	OTHER LIABILITY	Third Party Liability	
XD	OTHER LIABILITY	Third Party Liability		
XL	OTHER LIABILITY	Third Party Liability		
8T	CT	GOODS IN TRANSIT	Transport	
	Q	GOODS IN TRANSIT	Transport	
	QL	GOODS IN TRANSIT	Transport	
	QX	GOODS IN TRANSIT	Transport	
	V	GOODS IN TRANSIT	Transport	
	VL	GOODS IN TRANSIT	Transport	

<u>NEW TERROR RISK CODE</u>	<u>RISK CODE</u>	<u>US LINE OF BUSINESS</u>	<u>FSA ACCOUNTING CLASS</u>
	VX	GOODS IN TRANSIT	Transport
1E	ET	OCEAN MARINE	Marine
	EW	OCEAN MARINE	Marine
	EG	OCEAN MARINE	Marine
2E	EH	OCEAN MARINE	Marine
3E	EF	PROPERTY	Property
4E	EA	OTHER LIABILITY	Third Party Liability
	EB	OTHER LIABILITY	Third Party Liability

MARKET REPORTING RISK CODING SCHEME

WHEREAS –

Under the provisions of paragraph 12A of the Solvency and Reporting Byelaw (No. 13 of 1990) the Council has power to modify or amend its Risk Coding Scheme or add to, alter or withdraw any condition or requirement prescribed by that Scheme.

The Council now wishes to amend the Risk Coding Scheme by adding certain risk codes.

NOW further powers conferred on me by a resolution of the Lloyd's Regulatory Board made on 25 August 1999 (as amended on 10 April 2000) and in exercise of the Council's powers under paragraph 12A of the Solvency and Reporting Byelaw (No 13 of 1990) and in exercise of any and every other enabling power, I, John Parry, Head of Market Reporting, HEREBY RESOLVE that –

The Risk Coding Scheme be and is hereby amended as follows –

by adding the risk code "1T", with the description "Overseas Terrorism business written as a result of a legislative requirement made by a non-UK government to provide terrorism cover – Accident & Health";

by adding the risk code "2T", with the description "Overseas Terrorism business written as a result of a legislative requirement made by a non-UK government to provide terrorism cover – Aviation";

by adding the risk code "3T", with the description "Overseas Terrorism business written as a result of a legislative requirement made by a non-UK government to provide terrorism cover – Marine";

by adding the risk code "4T", with the description "Overseas Terrorism business written as a result of a legislative requirement made by a non-UK government to provide terrorism cover – Miscellaneous & Pecuniary Loss";

by adding the risk code "5T", with the description "Overseas Terrorism business written as a result of a legislative requirement made by a non-UK government to provide terrorism cover – Motor";

by adding the risk code "6T", with the description "Overseas Terrorism business written as a result of a legislative requirement made by a non-UK government to provide terrorism cover – Property";

by adding the risk code "7T", with the description "Overseas Terrorism business written as a result of a legislative requirement made by a non-UK government to provide terrorism cover – Third Party Liability";

by adding the risk code "8T", with the description "Overseas Terrorism business written as a result of a legislative requirement made by a non-UK government to provide terrorism cover – Transport";

by adding the risk code “1E”, with the description “Overseas Terrorism business written as a result of a legislative requirement made by a non-UK government to provide terrorism cover – Energy Offshore: Property Damage”;

by adding the risk code “2E”, with the description “Overseas Terrorism business written as a result of a legislative requirement made by a non-UK government to provide terrorism cover – Energy Offshore: Liability”;

by adding the risk code “3E”, with the description “Overseas Terrorism business written as a result of a legislative requirement made by a non-UK government to provide terrorism cover – Energy Onshore: Property Damage”;

by adding the risk code “4E”, with the description “Overseas Terrorism business written as a result of a legislative requirement made by a non-UK government to provide terrorism cover – Energy Onshore: Liability”;

These requirements shall come into effect on 9 January 2003 and shall apply to insurance business allocated to the 2000 and subsequent years of account.

Signed:

John Parry
Head of Market Reporting

Dated: