

FROM: Director, Worldwide Markets
LOCATION: G12
EXTENSION: 5998
DATE: 11 February 2003
REFERENCE: Y2985
SUBJECT: LLOYD'S TRADING STATUS IN ARGENTINA
ATTACHMENTS: Cancellation / Revocation of Cover Attachment
ACTION POINTS: **Underwriters and brokers to note**
DEADLINE: **Immediate**

1. Purpose of bulletin

To provide an update on Lloyd's trading status in Argentina, following Lloyd's registration as a foreign reinsurer with the Superintendencia de Seguros de la Nación (the 'Insurance Superintendency'), and to advise that Decree 1654/02, which allowed aviation insurance to be written by foreign insurers on a direct basis, has been suspended.

2. Reinsurance

2.1 Lloyd's trading status

Lloyd's has been registered as a foreign reinsurer in Argentina. As a result, Lloyd's underwriters are now able to accept reinsurance business directly from ceding companies without the intervention of a local broker, or continue to accept reinsurance business via a registered broker.

2.2 Underwriters' obligations (extracted from General Resolution No. 24805)

- Underwriters must, within 30 days of the occurrence, inform the Insurance Superintendency of any annulments or cancellations of reinsurance contracts concluded, provided such situations took place during their effective period. For these purposes, please complete the attached form entitled "Cancellation/Revocation of Cover Attachment" and send it to the Insurance Superintendency at the address provided below.

Mr Ruben Lombardo
Superintendencia de Seguros de la Nación
Av. Pte. Julio A. Roca 721
1067 Buenos Aires
Argentina
Tel: +54 11 4338 4000 – Ext. 1623
Fax: +54 11 4338 4000 – Ext. 1627
E-mail: rslombardo@hotmail.com.ar

- Underwriters must also advise the Insurance Superintendency within the same time limit of losses exceeding US\$ 100,000, which they rejected.
- Underwriters must deliver to their ceding companies within a maximum time limit of 30 days from the commencing date of the effective period, the reinsurance contracts or, in their place, the cover notes, which document the respective business operations. In the latter case, the respective contract must be delivered at the latest, six months from the commencing date of its effective period, with the acceptance of all the participating reinsurers.
- Underwriters must, within 30 days, advise the cedant of any variation of the underwriting policy and/or any other decision, which restricts the conditions of cover of direct insurance and/or affects normal compliance with contracts written by insurers to the Argentinean direct insurance market.

2.3 Reinsurance Contracts

Reinsurance contracts must include a clause, in the event the company enters into liquidation – compulsory or voluntary – which establishes the obligation for the reinsurer to pay directly to the liquidator any balances due after unrestricted balancing of the reciprocal debts, independently of whether or not its ceding company has complied with their obligations with the insured or of the state of liquidation in which it is found.

It shall not be possible to effect retroactive modifications in conditions, which may cause variations in the levels of reserves of the ceding company.

In contracts in which reinsurance brokers intervene, no clause may be included, which limits or restricts the direct relations between the insurance company and the reinsurer, nor may there be conferred upon such brokers powers or faculties distinct from those necessary and appropriate for their work as an independent intermediary in their dealings relating to the contract.

2.4 Taxation

Underwriters are reminded that there is a remittance tax on reinsurance businesses, currently 3.5% of gross premiums ceded and should be deducted from the gross premium. The reinsurer is liable for this tax, however the cedant or local broker is responsible for its collection and payment.

Please note that the Double Taxation Agreement between Argentina and the UK provides for a reduction in the rate of tax to 2.5% but the administrative arrangements are complex and are probably only warranted for larger premiums. Please refer to the Taxation Department at Lloyd's for further information.

3. Insurance

3.1 Lloyd's trading status

Lloyd's is not licenced as a direct insurer in Argentina and as a result, is not allowed to write direct insurance, except for Marine Hull / Cargo (including cargo Liability).

3.2 Direct Aviation

Decree 1654/02, which came into effect last year, permitted aviation business to be written on a direct basis by foreign insurers. However, owing to strong opposition from the local market, it was suspended on 10 December 2002 until further notice. Lloyd's underwriters therefore may now only write aviation business on a reinsurance basis.

4. Documents sent to Argentina

According to Argentinean regulations, generally all public or private documentation emanating from abroad must be duly legalised in accordance with the laws of Argentina. If the documentation is drafted in another language, it should be sent, together with a translation in Spanish carried out by a National Public Translator and certified by the Public College of Translators.

An exception is made of instruments relating to reinsurance contracts concluded by Insurers.

5. Local Representation

Lloyd's Attorney-in-Fact is Mr John D. Wilson and his contact details are:

Mr John D. Wilson
Las Heras, 1274 Martinez
1641 Buenos Aires
Argentina
Tel: +54 11 4798 8975
E-mail: jdwilson@ciudad.com.ar

If you have any queries regarding Lloyd's trading status in Argentina, please contact Sarah Potts on Lloyd's extension 5350 or Market Services on Lloyd's extension 6677.

This bulletin has been sent to all active underwriters, the compliance officer of Managing Agents, Lloyd's Brokers and the Lloyd's Market Association.

Julian James
Director, Worldwide Markets

Enclosure

Communication from : *Ministry of Economy
and Works and Public Services
National Insurance Superintendency*

CANCELLATION/REVOCATION OF COVER ATTACHMENT

INSURANCE ENTITY: (Indicate name of the entity)

DATE OF CANCELLATION/ REVOCATION: (Indicate date cancellation/revocation is taking place)

CONTRACT CANCELLED/ REVOKED: (Indicate type of contract: Quota Share, Surplus, Excess of Loss, facultative, etc.)

No. OF COVER: (Indicate No. of Cover Note)

PERIOD: (Indicate period of the contract)

INSURED: (Indicate Name of the Insured only in the case of Facultatives)

BRANCHES: (Indicate the Branch(es) affected)

REINSURER: (Indicate the name of the Reinsurer who cancelled the cover)

PERCENTAGE PARTICIPATION: (Indicate percentage participation cancelled/revoked)

SUM INSURED: (Indicate only in case of facultatives)

CAUSE OF CANCELLATION/REVOCATION: (Indicate reason for cancellation/revocation)

REINSURANCE OPERATOR:

SIGNATURE AND STAMP

RESPONSIBLE PERSON