

**FROM:** Director, Worldwide Markets  
**LOCATION:** G12  
**EXTENSION:** 5998  
**DATE:** 22 July 2003  
**REFERENCE:** Y3099  
**SUBJECT:** MEXICO: APPLICATION OF LOCAL LAW AND JURISDICTION TO REINSURANCE CONTRACTS  
**ATTACHMENTS:** None  
**ACTION POINTS:** **Managing agents, underwriters and Lloyd's brokers to ensure application of Mexican jurisdiction / use of new LSW clauses on Mexican policies**  
**DEADLINE:** **Immediate**

The purpose of this market bulletin is to advise the market that all reinsurance contracts with Mexican cedents are subject to Mexican law and jurisdiction. Mexican contracts must either explicitly refer to Mexican law and jurisdiction or include a Mexican jurisdiction clause, subject to the type of slip adopted.

## **1. Background**

Lloyd's has been registered as a foreign reinsurer in Mexico since 1985 and underwriters are able to write all classes of reinsurance business. Such business must be placed through a locally registered reinsurance broker, resident in Mexico. Lloyd's is not licensed to write direct insurance, except for marine cargo (please refer to the specific definitions on the Mexican page of [www.lloyds.com](http://www.lloyds.com)).

## **2. Underwriters' obligations**

The Mexican regulator, CNSF<sup>1</sup>, has asked Lloyd's to confirm that Lloyd's underwriters will comply with the local jurisdiction requirement as required under the *Rules Governing the General Registry of Foreign Reinsurers for the Assumption of Reinsurance and Rebonding in Mexico* (the "Rules") – 26 July, 1996.

Under the Rules, Lloyd's (on behalf of Lloyd's underwriters) is required to declare that underwriters will unconditionally subject themselves to the laws and authorities of Mexico with regard to legal actions that take effect in the country and in which foreign entities take part.

Failure by underwriters to comply with the requirement could result in the withdrawal of Lloyd's registered status.

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<sup>1</sup> Comision Nacional de Seguros y Fianzas

It has therefore been prescribed under powers delegated by the Council of Lloyd's that it is a condition of underwriting reinsurance of Mexican risks that Lloyd's underwriters submit to the laws and to the jurisdiction of the Mexican courts.

The LMA participated in the consultation process for the development of the following jurisdiction clauses to assist underwriters in satisfying this requirement.

## 2.1 Non-LMP slip

Adopt one of the following law and jurisdiction clauses, which have been registered as London Special Wordings (LSW) and sponsored by Worldwide Markets:

- a) It is hereby agreed that this reinsurance shall be governed by the law of the United Mexican States whose Courts shall have exclusive jurisdiction in any dispute arising hereunder (LSW1227).

OR

- b) It is hereby agreed that this reinsurance agreement and the rights and obligations of the parties under this agreement shall be governed by, construed and interpreted in accordance with the law of the United Mexican States and subject to the exclusive jurisdiction of the Mexican courts (LSW1228).

## 2.2 LMP slip

Complete the fields provided under 'Choice of Law and Jurisdiction' with the word 'Mexican'.

A policy check has now been established at Xchanging Ins-sure Services to ensure reference to local law and jurisdiction is included in every reinsurance contract effected with a Mexican cedent incepting on or after 15 August 2003. Any contract incepting after this date that does not include reference to local law and jurisdiction will be returned to the Lloyd's broker to amend.

If you have any queries regarding Lloyd's compliance obligations or trading status in Mexico, please contact one of the following:

Market Services      Tel: 020 7327 6677  
E-mail: [market.services@lloyds.com](mailto:market.services@lloyds.com)

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This bulletin has been sent to all active underwriters, the compliance officer of managing agents, the compliance officer of Lloyd's brokers, the Lloyd's Market Association and the London Market Insurance Brokers' Committee.

Julian James  
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