

FROM: Director, Worldwide Markets
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REFERENCE: Y3209
SUBJECT: IRISH MOTOR INSURANCE REQUIREMENTS
SUBJECT AREA(S): To update the market on recent changes to the requirements and obligations upon syndicates writing compulsory motor vehicle liability insurance for Irish registered vehicles.
ATTACHMENTS: Appendix
ACTION POINTS:
1. Syndicates intending to write Class 10 motor business for Irish registered vehicles for the 2004 year of account to sign a Deed of Agreement and submit an estimated net premium income in Euros to Worldwide Markets by 31 December 2003.
2. Syndicates to adhere to document requirements detailed in section 7 of the Appendix.
3. Syndicates to note the implementation of the EU Fourth Motor Directive in Ireland.
DEADLINE: **IMMEDIATE**

This bulletin is a reminder of the obligations for all syndicates (motor and non-motor) transacting compulsory liability insurance for motor vehicles registered in Ireland. These include:

- Declined Cases Agreement – new operation within Lloyd's
- Irish Government Levy
- Irish Stamp Duty
- Motor Insurers' Bureau of Ireland Fees
- Documentation requirements for establishment business
- Reporting requirements
- Fourth Motor Directive.

We have successfully negotiated an improved situation for underwriters with regard to the Withdrawal Agreement which is noted in this bulletin. This bulletin cancels and replaces Bulletin Y2290 of 17 April 2000.

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This bulletin has been sent to active underwriters and compliance officers of managing agents and Lloyd's brokers.

APPENDIX -IRISH MOTOR INSURANCE REQUIREMENTS

1 Background

Ireland is a member of the EU, and its insurance laws reflect the EU's Insurance Directives. Lloyd's is authorised to carry on motor vehicle liability and accidental damage insurance (Class 10) in and from Ireland on a "freedom of services" and on an "establishment" basis.

2 Declined Cases Agreement

As it was obliged to do under its licence, Lloyd's entered into the Declined Cases Agreement, along with all other motor insurers in Ireland. All syndicates writing Irish motor insurance (Class 10) are bound by this agreement.

As Market bulletin Y3128 issued on 29 August 2003 detailed, under this agreement, an insurer (including a Lloyd's syndicate) cannot refuse to provide an insurance policy carrying with it an RTA certificate to an individual proposer who has approached at least three insurers and has not been able to obtain insurance, if the proposer is:

- a) one of their existing motor policyholders or one who has held a policy with them in the preceding three years; or
 - b) a new proposer, who has not held an insurance in his (or her) own name in the preceding three years;
- except where to provide such a policy would be contrary to the public interest.

A Committee represents the insurers who have entered into the agreement, and makes binding decisions regarding the application of the agreement. It can decide whether a declinature is valid and whether the premium charged and/or the terms are so excessive as to amount to a refusal.

Under the agreement an insurer may not decline a risk on grounds of age alone, and insurers cannot exclude driving:

- a) by the insured without his consent except where to include such driving would be contrary to the public interest;
- b) by any person named by the insured under the terms of the policy without the consent of the insured except for reasons which the Committee regard as adequate.

When it is not possible to identify to which insurer the first proposal was made, or whether the first proposal was made simultaneously to more than one insurer, the Committee shall allocate such risks on an agreed rota basis.

3 New operation of the Declined Cases Agreement within Lloyd's

All syndicates who wish to write Class 10 business for Irish registered vehicles must first sign a Deed of Agreement between the Society of Lloyd's, the Managing Agent of the syndicate and the Lloyd's Irish Sole General Representative. This has been drawn up in consultation with the LMUA.

Declined cases put to Lloyd's will be allocated by Lloyd's General Representative to the syndicate concerned. The declined cases put to Lloyd's where there is no syndicate to take on the liability, will be allocated to a syndicate on a rota basis, operated by the Lloyd's Sole General Representative. The rota will take into account the type of motor business written by each syndicate in Ireland and its estimated premium income from such business.

In both cases, the syndicate then has three working days to quote for that particular case. The introduction of this system will be for the 2004 year of account.

Syndicates who will be writing motor business (Class 10) for Irish registered vehicles in 2004 are requested to submit an estimate of their net premium income in Euros to Worldwide Markets broken down by: Commercial (commercial vehicles, fleets, hire or reward, taxi, agricultural machinery/plant, coach and buses) and Private (private motor, high risk (e.g. drunk/drive, high performance) and motorcycle) by the 31 December 2003.

A Deed of Agreement will then be forwarded to these syndicates for signing. All syndicates writing Irish motor liability insurance or planning to write it for the 2004 year of account are requested to contact Worldwide Markets (Alex Faris or Andrew Smith) for the signing of the Deed.

4 The Government Levy

The Government Levy is a fiscal charge (equivalent to a premium tax) on all classes of insurance business other than marine, aviation and transport (MAT) insurance and all types of reinsurance. It is imposed on all insurers, who are in turn permitted to charge the levy to policyholders at point of sale.

The levy is added to the gross premium paid by the insurer. The current rate of the Irish Government Levy is 2% of gross premium income (premium paid by the customer).

Lloyd's collects and pays the levy centrally every quarter. It is currently collected from syndicates via central accounting. Motor syndicates who choose not to use central accounting are required to make a quarterly return to the Irish office and electronic transfer of the levy in Euros to the Irish office account within 30 days of the end of the preceding quarter. Interest is charged for overdue payments.

5 Stamp Duty

Under the Finance Act 1982 a stamp duty of 1 Euro is applicable to all non-life policies or certificates of insurance when the gross premium is 19.05 Euros or more. If more than one premium is payable within any period of 12 months, and such premiums total 19.05 Euros or more, then the policy or certificate attracts 1 Euro stamp duty only. Stamp Duty is payable on new policies only and not on renewals.

Stamp duty is collected via the Central Taxation system every quarter. Motor syndicates who choose not to use central accounting are required to make a quarterly return and payment to Taxation department.

6 MIBI fees

Lloyd's is a member of the Motor Insurers' Bureau of Ireland (MIBI) and is charged a membership levy based on the Irish motor liability premiums written by all Lloyd's syndicates.

This is currently administered via the LMUA in 2003 although the basis of the levy is changing for 2004 so collection procedures may change.

All syndicates transacting motor insurance in Ireland are required to abide by the terms of the MIBI Domestic Agreement. A copy of this agreement is available from the Irish office.

7 Documentation requirements for establishment business

- An electronic copy of each Road Traffic Act certificate should be filed with the General Representative (these should be sorted in alphabetical order by surname). Syndicates and binding authority holders shall comply by emailing monthly in arrears (by 15th of the following month) to the Sole General Representative at lloyds-info@wgbradley.com a copy of each RTA Certificate issued in the previous month. This requirement arises from the entitlement of the Irish Authorities and Irish Police to inspect any RTA Certificate issued.
- An electronic copy (showing signature) or a paper copy of the binding authority must be filed with the Sole General Representative. Please ensure the broker lodges three copies with XIS for signing so that one copy will be forwarded to the Sole General Representative.
- The active underwriter of each syndicate must sign a standard indemnity in favour of Ray McGovern in his capacity as Lloyd's Sole General Representative.
- The syndicate or coverholder must file standard policy conditions with the Sole General Representative.
- The lead syndicate must send a copy of every individual policy schedule to the Sole General Representative within 30 days of the issuance of the policy.

8 Reporting requirements

Special requirements apply to Irish motor insurance. Syndicates writing Irish motor business must complete the Irish forms No.1 and No. 8 and return them to Worldwide Markets in April each year. These forms require detailed information about Irish motor premiums and claims. Completed forms are passed onto the General Representative, who files them with the Irish insurance regulator.

9 Fourth Motor Directive

Ireland implemented the Fourth Motor Directive in December 2003. The Government's legislation includes:

- There is a general obligation to provide information to the Information Centre (MIBI) when requested and within five working days of receipt of the request.
- The necessary information includes the registration numbers of all insured vehicles that are normally based in Ireland, the policy reference numbers of the third party liability motor policies, the date of termination of cover for any expired policies, the number of the green card or frontier insurance if applicable.
- It is not yet defined how the information will be sourced to the MIBI but it seems likely that for the start they will use the motor taxation database.

Further details will be given to the market when the operation of this system is defined.

10 Withdrawal Agreement

The Withdrawal Agreement gave mandatory procedures applying to all syndicates writing this business who wished to withdraw from the Irish market.

This agreement had the requirement of syndicates giving six months notice to the regulator of their intention to withdraw from the Irish market, and in addition to transfer their Irish business to another syndicate or insurance company. If this was not done, the syndicates still trading in Ireland had to take up part of the business of the departing syndicate on a random or non-selective basis.

In October 2003 the Irish regulator, IFSRA, confirmed to Lloyd's that this agreement was no longer valid.

11 New requirements for syndicates who wish to withdraw from the Irish market

Market practice in Ireland is to give 35 working days written notice to policyholders when cover is not being renewed. Lloyd's syndicates should aim to adhere to this notice period if they withdraw from the Irish market or do not wish to offer renewal. This best market practice is based on the Motor Insurance (Provision of Information)

(Renewal of Policy of Insurance) Regulations 2002 which requires no less than 15 working days notice and then brokers add a further 10 working days at either end of this to give 35 working days in total.

All live policies at the date of a syndicate's withdrawal must be run off in a proper and orderly fashion with each policy being honoured to its individual natural expiry date.