Market Bulletin

LLOYD'S

One Lime Street London EC3M 7HA

FROM:	Director, Worldwide Markets
LOCATION:	G12
EXTENSION:	5998
DATE:	15 December 2003
REFERENCE:	Y3210
SUBJECT:	AUSTRALIA: TERRORISM INSURANCE ACT 2003 ("ATIA")
SUBJECT AREA(S):	Provision of updated information on the impact of ATIA on the Lloyd's Market in particular, the reporting obligations to the ARPC and the recording of Fire Service Levies.
ATTACHMENTS:	Appendix 1 – Premium apportionment across risk codes. Appendix 2 – ARPC quarterly return. Appendix 3 – Information to assist in the preparation of the ARPC quarterly return. Appendix 4 – Lloyd's version of the ARPC Reinsurance Contract Appendix 5 – ARPC opt in/opt out letter Appendix 6 – The application and calculation of fire service levies. Appendix 7 – Slip/LPAN information for the recording of fire service levies and Xchanging Ins-sure Services checking procedures.
ACTION POINTS:	**Syndicates to notify Lloyd's by 23 December 2003 whether they wish to opt in to or out of the ARPC arrangement for the period 1 January to 31 December 2004.** **Underwriters to observe the new slip notation practice for the recording of premium for terrorism exposure and the new basis for recording fire service levy information.**
DEADLINE:	**Provision to Lloyd's by 23rd December 2003 of a syndicate's opt in/out letter.**

Purpose and scope of Bulletin

1.1 The purpose of this Bulletin is to provide the market with guidance on the following:

- Premium apportionment across the Lloyd's 'main peril' risk codes and those risk codes introduced in response to the USA's Terrorism Risks Insurance Act – TRIA ("the new terrorism risk codes".) These risk codes were designed to cover any non-UK terrorism exposure imposed as a result of overseas legislation.

- The completion of the quarterly return to the Australian Reinsurance Pool Corporation ("ARPC")

- The completion of the opt in/out letter to the ARPC Scheme for the period 1 January to 31 December 2004.

- the basis for recording Fire Service Levy (FSL) information so as to assist Worldwide Markets (WWM) in the calculation of a syndicate's annual retention.

1.2 Previous communication to the market on the Australian Terrorism Insurance Act 2003 ("ATIA") has been in the following forms:

- ♦ Market Bulletin Y2945, issued on 17 December 2002
- ♦ An Old Library presentation on 12 May 2003
- ♦ Market Bulletin Y3081, issued on 26 June 2003
- ♦ Market Bulletin Y3126, issued on 28 August 2003
- ♦ Market Bulletin Y3144, issued on 17 September 2003
- ♦ An Old Library presentation on 24 September 2003
- ♦ Market Bulletin Y3150, issued on 26 September 2003

2. Premium apportionment across risk codes

Market Bulletin Y3126 detailed the manner in which the new terrorism risk codes should be used in relation to ATIA and gave guidance on the application of the qualifying risks to business written under the Lloyd's 'main peril' risk codes.

The bulletin confirmed that the new terrorism risk codes were mandatory on **all** eligible insurance (but NOT reinsurance) business, regardless of how minimal the ATIA exposure may be. This requirement is mandatory for **all** syndicates irrespective of whether they opt into the ARPC Scheme or not. It also confirmed that the new terrorism risk codes apply to open market risks and bulk accounted facilities i.e. binding authorities.

Readers are reminded that ATIA imposes an obligation upon insurers to provide cover in respect of any 'eligible insurance contract' for 'eligible terrorism losses' only furthermore ATIA negates any exclusion of cover for terrorism where a loss or liability covered by the policy qualifies as an 'eligible terrorism loss'.

ATIA does not intend or require insurers to offer an insured the opportunity to purchase terrorism cover. Therefore, the premium can be based on the normal terms and conditions of the policy. If a syndicate chooses to pass reinsurance costs (and/or any other costs) to the insured, then such costs do not need to be shown separately to the insured, but will simply form part of the overall premium.

However, Lloyd's centrally requires syndicates to allocate the premium charged to an insured across both the Lloyd's 'main peril' risk code and the new terrorism risk code. This is in order to assist Lloyd's in monitoring its terrorism exposure. Such an apportionment should be carried out by allocating the amount by which the premium has been 'loaded' under the new terrorism risk code (in monetary value and not percentage value). Where a syndicate has decided not to 'load' their premium, a monetary value which reasonably reflects a syndicate's exposure to terrorism should be allocated to the new terrorism risk code.

To ensure following underwriters on a subscription placement are aware of the apportionment, this should be noted under the 'information' section of the slip. As the premium to the insured does not need to be shown separately, it is not intended that this information be shown to the insured in the cover note or other policy documentation.

Set out in Appendix 1 is an example of each method of premium apportionment.

3. Syndicate Reporting to the ARPC

Quarterly Return

Previous Market Bulletins have advised of the obligation to submit a quarterly return to the ARPC on those syndicates that have chosen to reinsure with the ARPC. The ARPC reporting form is attached to this Market Bulletin, as Appendix 2, and will be available to download from the MSU website in electronic format later this month.

The data to be used for completing the return is that held in a syndicate's system.

Timings

The ARPC requires that the quarterly returns are submitted to them within 30 days of the end of each quarter. Therefore, the quarterly return for the period 1 October 2003 to 31 December 2003 must be submitted by Lloyd's Australia no later than 30 January 2004. In order to ensure that this time frame is met, a syndicate needs to ensure that **the return is submitted, electronically, to Lloyd's Australia, with a copy to WWM, via** australian.terrorism@lloyds.com, by **no later than** 20 January 2004. Nil returns must also be submitted. The syndicate returns will then be collated for onward submission to the ARPC.

Please note that the ARPC have confirmed that they do not expect to receive information from syndicates ahead of their normal reporting arrangements with binding authorities. The ARPC accept that there may therefore be a delay in a syndicate reporting to them. Therefore, if a risk written under a binding authority, in December 2003 is not reported to underwriters, via bordereaux, until the end of February 2004, the ARPC accept that such a risk will only be notified to them in the return relating to the period 1 January 2004 to 31 March 2004.

If a policy written under a binding authority has not been reported to the ARPC at the time of a ‘declared terrorist incident’, then if this policy is an ‘eligible insurance contract’, as defined by ATIA, then the ARPC have confirmed that cover will still be provided as long as the applicable reinsurance premium is paid.

As a consequence of ATIA, a number of questions have been raised in relation to the production of bordereaux. These questions and their answers have been incorporated in an updated version of the Frequently Asked Questions document. Information on how to access this document can be found at the end of this bulletin.

Information to assist in the preparation of the return to the ARPC is shown in Appendix 3 of this bulletin.

Annual Return

Market Bulletin Y3144 advised that in addition to the quarterly report, the ARPC would also require an annual return. It was noted at this time that the ARPC had indicated that the annual return should show a break down of risks by sum insured and post code and split between material damage and business interruption.

Lloyd’s General Representative in Australia is still lobbying the APRC for a less burdensome reporting requirement however, the Market should ensure that they receive information sufficient to meet the ARPC’s requirements indicated above, in case this lobbying proves unsuccessful.

4. Syndicates’ ability to opt into or out of the ARPC Scheme

Market Bulletin Y3144 advised that a syndicate could exercise the option to opt into or out of the reinsurance arrangement with the APRC for the period 1 October to 31 December 2003, and thereafter a syndicate would bind itself for the period 1 January to 31 December annually. Whilst the Lloyd’s version of the reinsurance contract was circulated via Market Bulletin Y3150, for ease of reference, it is attached to this Bulletin as Appendix 4.

To exercise their option for the period 1 January to 31 December 2004, syndicates need to advise WWM, in writing, of their decision by **no later than 23 December 2003**. A pro-forma letter to be completed by syndicates is attached at Appendix 5 to this Bulletin and a signed copy should be returned, electronically, to australian.terrorism@lloyds.com. **This letter is to be completed by all syndicates regardless of whether they decide to opt into or out of the Scheme.**

5. Annual Retention

Previous Market Bulletins have advised that a syndicate choosing to reinsure with the ARPC Scheme will be required to maintain an annual retention based on A$1 million or 4% of Fire/Industrial Special Risks (ISR) premiums, whichever is the lesser; however, if the total retentions of all insurers affected by a 'declared terrorist incident' exceed A$10 million, then there is a pro rata reduction in the relevant insurer's retention (the 'reduction percentage'). The total of all retentions cannot exceed A$10 million.

Since Lloyd's risk coding structure does not exactly match the definition of Fire/ISR, the ARPC have agreed that Lloyd's can use 'main peril' risk codes F & PD as the basis for each syndicates' retention calculation. However, a syndicate writing 'eligible insurance contract' business, but which does not underwrite any F & PD risk coded business (e.g. a liability syndicate) will not be able to operate with a nil retention and Appendix 4 of Market Bulletin Y3144 set out the mechanism for determining the annual retention for such syndicates.

As a result of Market Bulletin Y3190 on 'Lloyd's Risk Codes', the retention calculation will also include the disaggregated codes B5, P3 and P5. B4 is to be excluded from the retention calculation as it relates to private property and as such is outside the scope of ATIA.

Appendix 4 provides a copy of the Lloyd's version of the Reinsurance Contract with the ARPC. Section 6 of this contract extends the calculation of a syndicate's retention by advising that such retention should be less the amount of the Fire Service Levy (FSL) component of the premium the insured has remitted.

Appendix 6 provides further information on the application of fire service levies and how the FSL is applied to the gross premium.

To satisfy the ARPC and in accordance with Lloyd's trust fund obligations, underwriters are required to record the gross premium inclusive of FSL. Since this has implications for both ATIA and the trust funds, **all** syndicates, regardless of whether they opt into the ARPC Scheme or not, are to ensure this information is completed properly on slips (see below).

In order to ensure that a syndicate's retention is not higher than it needs to be, the Central Taxes System will be used to record FSL information. Therefore, Lloyd's brokers, when submitting slips/LPANs for Australian risks incepting on or after 1 January 2004, will need to ensure that the documents submitted correctly record the FSL information, as agreed by underwriters. With regard to binding authorities, it will be the inception date of the declaration to the binding authority and not the actual binding authority inception date. The slip/LPAN will therefore need to show the information as set out in Appendix 7.

In summary, the slip/LPAN will need to show the gross premium figure (inclusive of FSL) and the FSL amount, as agreed by underwriters, should be broken out as a deduction. Slips should identify exposure in the states where FSL currently applies and exposure in states where it does not.

4. Further information

The Terrorism Insurance Act 2003 and its amended Regulations can be obtained using the following links:

Terrorism Insurance Act 2003:
http://scaleplus.law.gov.au/html/pasteact/3/3598/pdf/0432003.pdf

Terrorism Insurance Regulations 2003 (as amended):
http://scaleplus.law.gov.au/html/pastereg/3/1800/pdf/TerrorismInsurance2003.pdf

A website for the ARPC can be obtained using the following link:

http://www.arpc.treasury.gov.au

Questions that have been raised by the Market have been compiled into a Frequently Asked Questions document and are available via the following link:

http://www.lloyds.com/index.asp?itemid=2431 – please scroll down to the ‘ Other Useful Information Section’ .

Please note: that the Frequently Asked Questions list is not an exhaustive list and is provided as ‘ general’ advice and should not be used as a substitute for individual legal advice.

If you have any queries about the above please contact any of the following:

Lloyd’s Worldwide Markets:

Market Services Desk:	Tel: 020 7327 6677 Email: market.services@lloyds.com
Maxine Hooper	Tel: 020 7327 6291 Email: maxine.j.hooper@lloyds.com
Andrew Smith	Tel: 020 7327 5349 Email: andrew.d.smith@lloyds.com
	Fax: 020 7327 5255

Lloyd’s General Representative in Australia:

Keith Stern	Tel: 00 61 2 9223 1433 Fax: 00 61 2 9223 1466 Email: keith_stern@bigpond.com

Lloyd's Market Association:

Martin Roberts Tel: 020 7327 8370
Email: martin.roberts@lloyds.com

This bulletin has been sent to active underwriters and the compliance officers of Lloyd' s brokers and managing agents and for information to market associations.

Julian James
Director
Worldwide Markets

APPENDIX 1

PREMIUM APPORTIONMENT ACROSS RISK CODES

Example 1:

Scenario:

A syndicate underwriting a commercial property damage policy, with a postcode that will attribute the risk to Tier A. This risk will attract a main peril risk code of PD (or a disaggregated code of B5, P3 or P5) and a new terrorism risk code of 6T.

- The premium to be charged to the insured, prior to ATIA, was A$1,000.
- As a result of ATIA, a syndicate may decide to load their premium by, say 20% to take account of costs relating to their potential exposure to terrorism, made up of, for example:
    - 12% increase to cover the reinsurance premium payable to the ARPC or to another reinsurer;
    - 4% increase to cover brokerage costs;
    - 4% increase to cover retention provisions/administration costs.
- The premium to the insured would now be A$1,000 x 20% = A$1,200.
- Premium should be apportioned across the risk codes as follows:
    - A$1,000 allocated to risk code PD (or a disaggregated code of B5, P3 or P5)
    - A$200 allocated to risk code 6T

Example 2:

Scenario:

A syndicate underwriting a commercial property damage policy, with a postcode that will attribute the risk to Tier A. This risk will attract a main peril risk code of PD (or a disaggregated code of B5, P3 or P5) and a new terrorism risk code of 6T.

- The premium to be charged to the insured, prior to ATIA, was A$1,000.
- The syndicate decides to continue to charge the insured A$1,000, taking any costs involved with terrorism onto its own balance sheet.

- An apportionment of premium across the two risk codes would still need to be carried out.
- The syndicate needs to determine what would be an appropriate amount to allocate to the new terrorism risk code. It may be decided that 20% of the premium would be an appropriate reflection of a syndicates' costs as a result of ATIA and therefore the premium would need to be apportioned across the risk codes as follows:
  - A$800 allocated to risk code PD (or a disaggregated code of B5, P3 or P5)
  - A$200 allocated to risk code 6T

Example 3:

Scenario:

A syndicate underwriting a commercial property binding authority for a UK coverholder who will be binding business worldwide including Australian property risks falling within the scope of ATIA. This will attract a main peril risk code of PD (or a disaggregated code of B5, P3 or P5) and a new terrorism risk code of 6T.

- The broker should be instructed to establish For Declaration Only (FDO) signings at Xchanging Ins-sure Services for each risk code.
- Premium for each declaration, or amendment thereto, should be apportioned following the same principles as apply to open market business outlined above.
- Additional and return premium signings to the FDO must be apportioned over the two risk codes.

NOTE:

With regard to binding authority business, syndicates must ensure that:

- They communicate any loading to the coverholder to ensure that the necessary splits can be provided; and
- The bordereaux must clearly show the split of premium or, if they do not, the Lloyd's broker must ensure that this is shown on any endorsements that accompany the bordereaux when closed via Xchanging Ins-sure Services.

APPENDIX 2

AUSTRALIAN REINSURANCE POOL CORPORATION
ABN 74 807 138 872

Premium Return for Quarter Ended
……………………………….

			Australian Capital Territory	New South Wales	Northern Territory	Queensland	South Australia	Tasmania	Victoria	Western Australia	TOTALS
Commercial Property:											
Tier A	Sum Insured										
	Subject Premium*										
	GST	Nil									
	Total Reinsurance Premium Due	12%									
Tier B	Sum Insured										
	Subject Premium*										
	GST	Nil									
	Total Reinsurance Premium Due	4%									
Tier C	Sum Insured										
	Subject Premium*										
	GST	Nil									
	Total Reinsurance Premium Due	2%									
TOTAL											
Business Interruption:											
Tier A	Sum Insured										
	Subject Premium*										
	GST	Nil									
	Total Reinsurance Premium Due	12%									
Tier B	Sum Insured										
	Subject Premium*										
	GST	Nil									
	Total Reinsurance Premium Due	4%									
Tier C	Sum Insured										
	Subject Premium*										
	GST	Nil									
	Total Reinsurance Premium Due	2%									
TOTAL											
OVERALL BUSINESS:											
Tier A	Sum Insured										
	Subject Premium*										
	GST	Nil									
	Total Reinsurance Premium Due	12%									
Tier B	Sum Insured										
	Subject Premium*										
	GST	Nil									
	Total Reinsurance Premium Due	4%									
Tier C	Sum Insured										
	Subject Premium*										
	GST	Nil									
	Total Reinsurance Premium Due	2%									
GRAND TOTAL: ALL TIERS											
	Sum Insured										
	Subject Premium*										
	GST	Nil									
	Total Reinsurance Premium Due										

* The subject premium figure is premium payable before charges i.e. exclusive of FSL, GST and Stamp Duty

APPENDIX 3

INFORMATION TO ASSIST IN THE PREPARATION OF THE ARPC QUARTERLY RETURN

Tier/State/Postcode

The information provided on the return to the ARPC is based on premium written during a particular quarter, by Tier and by State. The Tier applicable to each risk is based on the risk's postcode and syndicates are required to report on the actual physical location of the risk as opposed to, for example, the business or mailing address of the insured.

The ARPC have produced a list of postcodes and have subsequently allocated these postcodes into their respective Tiers. If the postcode is not shown to be in Tier A or Tier B then the risk should automatically be included within Tier C. Offshore risks should be allocated to Tier C.

Set out below are the postcode ranges for each State and Territory.

Australian Capital Territory 0200 – 0299 (PO Box postcodes) 2600 – 2639 2900 – 2920 **New South Wales** *Country Area:* 2250 – 2554 2575 – 2599 2619 – 2739 2787 – 2899 2921 – 2999 *Sydney Metropolitan Area:* 1001 – 1930 (PO Box postcodes) 2000 – 2249 2555 – 2574	**Northern Territory** *Country Area:* 0835 – 0899 0800 – 0899 *Darwin Metropolitan Area:* 0800 – 0834 **Queensland** *Country Area:* 4210 – 4999 *Brisbane Metropolitan Area:* 4000 – 4209 **South Australia** *Country Area:* 5200 – 5799

Adelaide Metropolitan Area: 5000 – 5199 5800 – 5999 **Tasmania** *Country Area:* 7100 – 7999 *Hobart Metropolitan Area:* 7000 – 7099	**Victoria** *Country Area:* 3211 – 3999 *Melbourne Metropolitan Area:* 3000 – 3210 **Western Australia:** *Country Area:* 6200 – 6799 *Perth Metropolitan Area:* 6000 – 6199 6800 – 6999

Note:

Some postcodes overlap across borders, territories and states. In such circumstances, a syndicate should allocate the premium to the most appropriate territory/state.

Some postcode ranges do not exist, for example, postcodes between 2740 – 2786. If a postcode is identified within such a range, it is likely to be a mistake. In such circumstances, the syndicate should double-check the postcode with the local intermediary or refer the enquiry to the ARPC for a rating.

Commercial Property/Business Interruption

The ARPC return requires a syndicate to show commercial property risks and business interruption risks separately. Therefore, on policies that have a mixture of business interruption and commercial property, a syndicate will be required to break this business out for the purposes of the return.

The returns do not need to show a syndicate's general liability business. The ARPC believe that only a small proportion of general liability business is ever likely to respond in the event of a 'declared terrorist incident'.

Sum Insured

Sum insured refers to the policy limit. For example, with a property policy that has a A$10m limit and a A$25m schedule of buildings, a syndicate would use their % line of the policy limit A$10m, not their line of A$25m for the return.

Subject Premium

The subject premium figure is based on written premium payable before charges i.e. exclusive of Fire Service Levy, Goods & Services Tax and Stamp Duty. The subject premium is also gross of brokerage.

Goods & Services Tax (GST)

Whilst the return shows GST, from a Lloyd's perspective, the reinsurance premium payable to the ARPC will not be subject to GST as Lloyd's underwriters are not making a supply connected with Australia, therefore the ARPC return should show 'nil' with respect to GST.

APPENDIX 4

AUSTRALIAN REINSURANCE POOL CORPORATION
ABN 74 807 136 872

REINSURANCE AGREEMENT FOR TERRORISM RISKS

Lloyd's Version

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REINSURANCE AGREEMENT FOR TERRORISM RISKS

This Reinsurance Agreement, which shall include the Schedule attached hereto (hereinafter called the Schedule), is made between each of the underwriting members of Lloyd's (a society incorporated by an Act of the United Kingdom known as Lloyd's Act 1871) referred to in Item 1 of the Schedule (hereinafter called the Reinsured) of the one part and the Australian Reinsurance Pool Corporation (hereinafter called the Corporation) of the other part.

1. Reinsured

(a) The *Agent of the Reinsured* may from time to time give notice to the Corporation of a *Syndicate* whose underwriting members are to become Reinsureds under this Agreement in respect of any business undertaken by the *Syndicate*. Each underwriting member of a *Syndicate* notified under this provision shall be a Reinsured as and from the date stated in the notice or if there is no date, on and from the date of the receipt of the notice. The underwriting members of a *Syndicate* notified in Attachment A shall be a Reinsured on and from the *Date of Commencement*.

(b) Each Reinsured shall be a party to this Agreement for a period from the date the Reinsured first became a party to this Agreement as a result of a notification by the *Agent of the Reinsured* to the Corporation until the next midnight on 31 December.

(c) At or prior to midnight on 14 January in each year following the *Date of Commencement* the *Agent of the Reinsured* may give a notice to the Corporation specifying the *Syndicates*:

   (i) to which the Agreement ceases to apply at the immediately preceding midnight on 31 December; and

   (ii) to which this Agreement shall apply on and from the immediately preceding 1 January.

2. Reinsurance Period

(a) This Agreement shall commence on the date stated in Item 2 of the Schedule *Date of Commencement* and continue until it is terminated in accordance with Clause 2(c) or Clause 2(d).

(b) For the purposes of this Agreement in relation to each Reinsured, the *Reinsurance Period* shall be the period or periods during which a Reinsured is a party to this Agreement by the operation of clause 1.

(c) The Corporation may terminate this Agreement by giving the *Agent of the Reinsured* not less than six (6) months written notice of its decision to terminate the Agreement. The Agreement shall expire at the date and time specified in the written notice given pursuant to this sub-clause (*Date of Expiry*).

(d) The *Agent of the Reinsured* may terminate this Agreement by giving the Corporation not less than six (6) months written notice of its decision to terminate the Agreement. The Agreement shall expire at the date and time specified in the written notice given pursuant to this sub-clause (*Date of Expiry*).

(e) The Corporation's right of inspection (clause 15) and claims obligations both survive the termination of this Agreement.

3. Class of Business Covered

(a) This Agreement shall apply only to **eligible insurance contracts** which incept during a *Reinsurance Period.*

(b) In the event that it is determined that any Reinsured incurs a liability under a contract of insurance solely because of section 8 of the *Terrorism Insurance Act* 2003 (Cth) such Reinsured will be entitled to cover under this Agreement in respect of that liability provided that it pays the relevant premium and otherwise agrees to comply with the terms of this Agreement. For the avoidance of doubt, this subsection (b) applies where it was not obvious or apparent that the said contract of insurance was an **eligible insurance contract**.

4. Exclusions

(a) This Agreement does not cover any loss or liability incurred by a Reinsured under a **protected contract** irrespective of whether the loss or liability arises solely because of section 8 of the *Terrorism Insurance Act 2003* (Cth) or otherwise.

(b) For the avoidance of doubt, if an endorsement to a **protected contract** has the effect of creating a new or additional contract of insurance, this Agreement shall apply to that new or additional contract PROVIDED THAT the said contract:

(i) is not itself a **protected contract**; and

(ii) falls within the ambit of clause 3(a) of this Agreement,

in which case, a Reinsured will be entitled to cover under this Agreement in respect of a liability under the said contract incurred solely because of section 8 of the *Terrorism Insurance Act 2003* (Cth) provided that it pays the relevant premium calculated by reference to any additional premium payable in respect of the endorsement and otherwise comply with the terms of this Agreement.

5. Indemnity

The Corporation shall indemnify the Reinsureds who are underwriting members of a particular *Syndicate* for that part of the *ultimate net loss* of all those Reinsureds which exceeds the *Syndicate's Retention.*

6. Reinsured's Retention

(a) A *Syndicate's Retention*, calculated in accordance with clause 6(b), shall apply in respect of all **declared terrorist incidents** which happen during the same *Retention Period.*

(b) The *Syndicate's Retention* shall be fixed for each Retention period and an amount equal to the lesser of:

(i) $1 million; or

(ii) either of the following which is appropriate to the circumstances of the *Syndicate*:

(A) 4% of the amount calculated as follows:

The *Syndicate's* Gross Fire/Physical Damage premium LESS the amount of the Fire Service Levy component of that premium which the insured has remitted. (The figures used for this calculation must be the figures used in respect of the *Syndicate* for the purpose of the returns to APRA in respect of Lloyd's insurance business in Australia for the 12 months ending 31 December prior to each Retention Period). The calculation of this amount and documents verifying the calculation must be notified to the Corporation by 31 May each year.

OR

(B) If the Fire/Physical Damage premium of the *Syndicate* is not incorporated in the relevant Lloyd's return to APRA or the Fire/Physical Damage premium incorporated in the relevant return is nil, or, being a new *Syndicate*, no return has been submitted by Lloyd's to APRA in respect of the *Syndicate* for the 12 months ending 31 December prior to the relevant Retention Period, the figures used for this calculation will be an appropriate equivalent to that described in clause 6(b)(ii)A as determined by the Corporation in its discretion. For the purpose of calculating the amount pursuant to this clause 6(b)(ii)(B), the underwriting members of the *Syndicate* must supply to the Corporation such information or documents as may be required by the Corporation. The Corporation shall notify the *Agent of the Reinsured* of the calculation of this amount.

(c) The *Syndicate's Retention* may be borne by a Reinsured who is an underwriting member of a *Syndicate* or wholly or partly reinsured elsewhere at the Reinsured's discretion.

(d) If, however, the sum of the *Syndicate's Retention* and the retentions of all the Corporation's other reinsureds together total more than $10 million in respect of all **eligible terrorism losses** caused by a single **declared terrorist incident** then the amount of the *Syndicate's Retention* in respect of that **declared terrorist incident** shall be adjusted on the following basis:

(i) the Corporation will determine the *Syndicate's Retention* as a percentage of the total retention of all of the Corporation's reinsureds that incur claims caused by that **declared terrorist incident** (the *Syndicate's Proportion*);

(ii) the *Syndicate's Retention* shall be an amount equal to the *Syndicate's Proportion* of $10 million.

Retention Period means:

(i) initially the period from the *Commencement Date* to 30 June 2004;

(ii) thereafter, each period of 12 consecutive calendar months commencing on 1 July 2004;

(iii) if the Date of Expiry occurs thereafter, each period of 12 consecutive calendar months commencing on the day following the *Date of Expiry*.

For the avoidance of doubt, each such period constitutes a separate *Retention Period* for the purpose of applying the *Syndicate's Retention*.

7. Ultimate Net Loss

The term *ultimate net loss* shall mean the sum of:

(a) amounts actually paid by the Reinsured:

(i) under **eligible insurance contracts** which incept during the *Reinsurance Period*; and

(ii) in relation to a loss or liability which arises solely because of section 8 of the *Terrorism Insurance Act 2003* (Cth); and

(iii) arising out of **declared terrorist incidents**,

(b) *claims expenditure* incurred by the Reinsured in connection with the claims that give rise to a liability on the part of the Reinsured to make the payments described in sub-clause 6(a),

<u>less</u> salvages and recoveries, including recoveries from all other reinsurances except those reinsurances arranged to protect the *Syndicate's Retention*. For the avoidance of doubt, if a declaration under section 6 of the *Terrorism Insurance Act 2003* (Cth) specifies a reduction percentage, that reduction percentage shall not apply to *claims expenditure* of the type described in clause 6(b).

Claims expenditure means expenditure (other than office expenses and salaries of employees of the Reinsured) reasonably incurred by the Reinsured in connection with, or arising from, the assessment, management, conduct, rejection, defence or settlement of a claim by the insured, to the extent to which the claim is:

(i) under an **eligible insurance contract** that incepts during the Reinsurance Period; and

(ii) in respect of a liability that arises (or is alleged to arise) solely because of section 8 of the *Terrorism Insurance Act 2003* (Cth).

8. Salvages

All salvages, recoveries or payments recovered or received subsequent to any loss settlement hereunder shall be applied as if recovered or received prior to the aforesaid settlement and all necessary adjustments shall be made by the parties hereto. Nothing in this Clause shall be construed to mean that a recovery cannot be made hereunder until the Reinsured's total liability in respect of **eligible terrorism losses** has been ascertained.

9. Premium

The premium payable by each Reinsured in respect of each **eligible insurance contract** covered under this Agreement will be calculated in accordance with the rates specified in Item 4 of the Schedule. If an **eligible insurance contract** covered under the Agreement is amended by way of endorsement, and the insured is:

(a) entitled to a refund of premium as a result of that endorsement; or

(b) is obliged to pay an additional amount of premium as a result of that endorsement,

there shall be commensurate adjustment in the premium payable by the Reinsured under this Agreement in respect of that **eligible insurance contract**.

10. Definition of Premium Income

The term *premium income* shall mean the gross base premium written by the Reinsured during the period of this Agreement in respect of **eligible insurance contracts** less only returned premiums and cancellations. The calculation of gross base premium shall not include the Fire Service Levy, GST and Stamp Duty.

11. Remittance of Premium and Provision of Information to the Corporation

(a) Within thirty (30) days of the end of each quarter during the *Reinsurance Period* each Reinsured shall:

(i) submit to the Corporation a statement setting out the total amount of premium payable to the Corporation in respect of all **eligible insurance contracts** incepted on or after 1 October 2003 which are first processed in the ordinary course of business by the Reinsured during that quarter (*Remittance Statement*); and

(ii) remit to the Corporation the total amount specified in the *Remittance Statement*.

The first remittance of premium pursuant to this clause 11(a) is due by 30 January 2004.

(b) Within thirty (30) days of the end of each *Retention Period* each Reinsured shall provide to the Corporation a report (in a form to be stipulated by the Corporation) setting out the total sums insured by the Reinsured under the relevant **eligible insurance contracts** (other than **eligible insurance contracts** that provide cover only for the liability of the insured) by reference to postcode.

12. Currency and Rates

(a) All amounts in this Agreement are stated and shall be paid in Australian dollars.

(b) Where premium payable to the Reinsured in respect of **eligible insurance contracts** is remitted in a currency other than Australian dollars, the time at which the rate of exchange is determined for the purposes of this Agreement shall be the date on which the premium is remitted to the Reinsured and the rate of exchange shall be calculated using a mid rate.

(c) Where the Reinsured makes claims payments pursuant to **eligible insurance contracts** in a currency other than Australian dollars, the time at which the rate of exchange is determined for the purposes of this Agreement shall be the date on which the claims payment is made by the Reinsured and the rate of exchange shall be calculated using a mid rate.

13. Notification of Claims

The Reinsured undertakes to advise the Corporation as soon as possible of any circumstances likely to give rise to a claim hereunder together with an estimate of the Corporation' liability and thereafter keep the Corporation fully informed of any developments regarding the claim. The Corporation shall not be liable for any claim of which they have not been advised by the Reinsured before the expiry of twelve months from the date upon which the Reinsured received the first notice of an **eligible terrorism loss** resulting in that claim.

14. Claims Settlements

(a) All claims settlements made by the Reinsured, provided same are within the terms of the relevant **eligible insurance contract** and within the terms of this Agreement, shall be binding upon the Corporation and amounts falling to the share of the Corporation shall be payable by them upon reasonable evidence of the amount paid being given by the Reinsured.

(b) The Reinsured may request immediate payment by the Corporation of its share of any settlement made by the Reinsured if any loss to which this Agreement responds exceeds the amount stated in Item 5 of the Schedule. Such payment will be made within 14 days of the request being agreed to.

15. Inspection

The Corporation or its duly authorised representatives may at any mutually convenient time during normal office hours, and subject to prior mutual concurrence as to the nature and extent of the material involved, inspect and take copies of such of the Reinsured's underwriting, accounting and claims records and documents as specifically relate to the business covered under this Agreement. Such right of inspection shall continue as long as either party remains under any liability to the other arising out of this Agreement.

16. Acts In Force

If the liability of the Reinsured under an **eligible insurance contract** increases solely because of an amendment to the *Terrorism Insurance Act 2003* (Cth) the indemnity provided by clause 5 of this Agreement will cover any such increase in the Reinsured's liability.

17. Alterations

The Corporation may adjust the rates specified in Item 4 of the Schedule and otherwise amend this Agreement at any time by giving the Reinsured not less than three (3) months notice in writing of the amendments which it proposes to make. The amendments shall come into force at the date and time specified in the written notice given to the Reinsured pursuant to this clause (the *effective date*). The Agreement as amended, shall only apply to **eligible insurance contracts** that incept on or after the *effective date*.

18. Legal Interpretation

This Agreement will be governed by and construed in accordance with the laws of New South Wales for the time being in force and the parties submit to the non-exclusive jurisdiction of the court of New South Wales in respect of all matters arising out of this Agreement and waives any right they may have to object to an action being brought in these courts, to claim that an action has been brought in an inconvenient forum, or to claim that these courts do not have jurisdiction.

19. Dispute Resolution

(a) The parties undertake to use all reasonable efforts in good faith to resolve any dispute which arises between them in connection with this Agreement, including, if possible, agreeing on a process to resolve the dispute (whether by mediation, arbitration, alternative dispute resolution or otherwise).

(b) Notwithstanding clause 19(a) a party may commence legal proceedings in respect of a dispute PROVIDED THAT if the parties agree to refer a dispute for resolution by an agreed process, neither party will oppose any application for a stay of any legal proceedings in respect of that dispute pending the completion of that agreed process.

(c) Until a dispute is resolved, whether by agreement between the parties or by a Court order, the parties are obliged to continue to perform their obligations under this Agreement.

20. Claims Management

It is expressly contemplated that the Reinsured will manage claims under **eligible insurance contracts** arising out of **declared terrorist incidents**.

21. GST and Taxes

21.1 Definitions and interpretation

"GST" and other terms in this clause have the meaning ascribed to those terms by the *A New Tax System (Goods and Services Tax) Act 1999* (as amended from time to time) or any replacement or other relevant legislation and regulations.

21.2 Payments

Any amount shown as payable under this Agreement does not include GST and, where applicable, will be calculated with reference to the GST-exclusive premiums payable to the Reinsured by its insureds. In addition to any amount shown as payable, wherever the supplier (whether the Corporation or the Reinsured) ("Supplier"), or the representative of the GST group to which the Supplier belongs, is liable for GST in relation to any supply made by or through the Supplier under or in connection with this Agreement, the Supplier shall, subject to the other provisions of this clause 21, be entitled to receive from the other party an additional amount equal to that GST at the same time as any other consideration is to be first provided for the supply.

21.3 Claims

(a) The *ultimate net loss* will be reduced by the amount of any decreasing adjustment under the GST legislation to which the Reinsured is entitled on settlement of claims to its insureds or on recoveries from any third parties, and any input tax credit to which the Reinsured is entitled for any acquisition relating to, or for the purpose of, settlement of a claim.

(b) Notwithstanding clause 21.2, the Reinsured is not entitled to any additional amount under this clause 21 in relation to any supply on which GST is payable directly or indirectly as a result of or in relation to the Reinsured's failure to disclose, or accurately disclose, to the Corporation its entitlement to an input tax credit for the premium.

(c) The Reinsured must, as soon as practicable after entering into this Agreement, notify the Corporation of the extent to which the Reinsured is entitled to input tax credits (expressed as a percentage) in relation to acquisitions it makes from the Corporation under this Agreement (**"Entitlement"**). The Reinsured must notify the Corporation as soon as practicable of any change in the Entitlement. The

Reinsured represents that any Entitlement notified to the Corporation is accurate and correct.

21.4 Changes in Legislation

If the effect of the GST as stated above is changed as a result of any new amendment, enactment, interpretation or application of any law, the parties hereto must as soon as possible and in the utmost of good faith negotiate an appropriate amendment to this Agreement.

21.5 Taxes

The Reinsured may deduct any non-resident withholding taxes from moneys remitted to the Corporation as required by the local law of a country of residence of the Reinsured.

22. Notices

(a) Any notice or other communication which may be given, served or made under or in connection with this Agreement:

  (i) Must be in writing and addressed or faxed as shown in paragraph (b) below;

  (ii) Is sufficient if executed by the party giving, serving or making the notice or on its behalf by any attorney, director, secretary, other duly authorised officer or solicitor of such party; and

  (iii) Will be deemed to be served, given or made:

    (A) (in the case of prepaid post) on the fifth day after the date of posting;

    (B) (in the case of facsimile) on receipt of a transmission report confirming successful transmission; and

    (C) (in the case of delivery by hand) on delivery.

(b) The address and facsimile (if any) of each party is specified in Item 6 of the Schedule.

23. Confidentiality

The Corporation shall keep confidential any documents and information it obtained during an inspection carried out pursuant to clause 15 of this Agreement except to the extent:

(a) required by law;

(b) the Corporation determines, acting reasonably, that disclosure is required in the ordinary course of its business and such disclosure is made under terms that restrict further disclosure to the extent necessary to protect the interests of the Reinsured; or

(c) that the information or documents are or become available in the public domain without breach by the Corporation of its confidentiality obligations under this clause or at law.

Nothing in this clause shall operate to prevent the Corporation from complying with its obligations under this Agreement and under statute, including without limitation its reporting and audit obligations. Further, nothing in this clause shall operate to prevent the Corporation from disclosing such information or documents to its professional advisers for the purpose of obtaining professional advice.

24. Definitions

Terms in this Agreement which are **bolded** have the same meaning as in the *Terrorism Insurance Act 2003* (Cth).

Terms which are *italicised* are defined in this Agreement.

The terms listed below have the following meaning –

"*Agent of the Reinsured*" means the Lloyd's general representative of underwriters in Australia.

"*Syndicate*" means an underwriting member or a group of underwriting members of Lloyd's conducting insurance business at Lloyd's through the agency of a management agent and to which a particular syndicate number is assigned by the Council of Lloyd's for each year of account.

Dates and times specified in this Agreement shall be determined by reference to the date and time in Sydney, Australia.

SCHEDULE ATTACHING TO AND FORMING PART OF THE REINSURANCE AGREEMENT FOR TERRORISM RISKS

AGREEMENT NO:

1) Name of Reinsured (Preamble):

Each underwriting member of Lloyd's who is a member of a *Syndicate* set out in Attachment A or which is notified under clause 1.

2) Date of Commencement (Clause 2):

1 October 2003

3) Reinsured's Retention (Clause 6(b)):

In respect of those *Syndicates* set out in Attachment A and for the Retention Period from the Date of Commencement to 30 June 2004, the amount set out against the *Syndicate* number and in all other cases as determined under clause 6.

4) Premium (Clauses 9 and 17):

Class of Insurance	**Initial rate (from 1 October 2003)**
Eligible Property**	
- Tier A property	12% of premium income
- Tier B property	4% of premium income
- Tier C property	2% of premium income
Business Interruption	
- Tier A property	12% of premium income
- Tier B property	4% of premium income
- Tier C property	2% of premium income
Public Liability	-

(** Postcodes allocated to Tiers A, B and C shall be determined by the Corporation. The Postcode Lists for Tiers A, B and C shall be published by the Corporation from time to time and posted on the Corporation's website.

5) Cash Losses (Clause 14(b)):

Unless otherwise agreed, $500,000 for each *Syndicate*.

6) Notices (Clause 22):

The Corporation:

Address:

Attention:

Facsimile:

The Reinsured:	Lloyd's general representative of underwriters in Australia c/- Lloyd's Australia Limited
Address:	Suite Q, Level 12, 55 Hunter Street, Sydney
Attention:	Keith Stern
Facsimile:	+61 2 9223 1466

Signed in

this day of 20

for and on behalf of

and on behalf of the Australian Reinsurance Pool Corporation, ABN 74 807 136 872.

Signed at Sydney on day of September 2003 for and on behalf of each Reinsured by its attorney Keith Edmund Stern under his Power of Attorney dated 1 January 2000

Attachment A to Reinsurance Agreement for Terrorism Risks dated September 2003

Syndicate Number	*Syndicate's Retention* Clause 6

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APPENDIX 5

Letter to be addressed to Andrew Smith, Senior Manager, Lloyd's World Wide Markets

Dear Sir

Australian Reinsurance Pool Corporation Reinsurance Arrangement
1 January 2004 to 31 December 2004

I am writing on behalf of syndicate *[insert name, number and year of account of syndicate].*

I understand that -

1. The Australian Terrorism Insurance Act 2003 renders terrorism exclusion clauses in eligible insurance contracts ineffective in relation to loss or liabilities arising from a declared terrorism incident.

2. In order to provide cost-effective reinsurance cover for eligible terrorism losses, the Australian Government has established a terrorism insurance scheme (*the Scheme*). The Scheme is operated by the Australian Reinsurance Pool Corporation (*ARPC*). ARPC is a statutory authority providing reinsurance cover for losses arising from a declared terrorist incident. Ultimately the Scheme is backed by the Australian Government.

3. All syndicates are eligible to reinsure the risk of eligible terrorism losses with ARPC. However, it is not compulsory and it is a matter for the managing agent of the relevant syndicate to decide whether or not to do so. A syndicate may for instance chose to rely on its own commercial reinsurance arrangements rather than those provided by the Scheme.

4. A decision to reinsure eligible terrorism losses through ARPC will be binding for the period 1 January 2004 – 31 December 2004. A decision not to reinsure such losses through ARPC will mean that the syndicate concerned gives up the right to benefit from the reinsurance provided by the Scheme in relation to a declared terrorist incident occurring during this period.

5. A copy of ARPC's standard form of reinsurance agreement for Lloyd's syndicates (*the ARPC Reinsurance Agreement*) is attached at Appendix 2 to the Market Bulletin dated 26 September 2003 (ref. Y3150).

[I confirm that syndicate *[insert name, number and year of account of syndicate]* wishes to benefit from the reinsurance arrangement with ARPC for the period 1 January 2004 – 31 December 2004 and I hereby authorise Keith Stern, Lloyd's Underwriters' General Representative in Australia, to sign the ARPC Reinsurance Agreement for and on behalf of the members of the syndicate. I understand that this decision is binding for the above-mentioned period.][*]

[*] Delete as appropriate

[I confirm that syndicate *[insert name, number and year of account of syndicate]* does not wish to reinsure eligible terrorism losses through ARPC. I understand that this decision is irrevocable for the period 1 January 2004 – 31 December 2004.]*

Enquiries relating to our syndicate's adherence to its obligations under the Australian Terrorism Insurance Act 2003 should be directed to *[insert contact name]*.

Yours faithfully

For and on behalf of syndicate *[insert name, number and year of account of syndicate]*

cc: Keith Stern, Lloyd's Australia Ltd, Suite Q, Level 12, 55 Hunter Street, Sydney, NSW 2000, Australia
Fax number: 00 612 9223 1466

* Delete as appropriate

APPENDIX 6

THE APPLICATION AND CALCULATION OF FIRE SERVICE LEVIES

How have Fire Service Levies come about?

Current Australian legislation requires funding for the various fire brigade authorities to come from three sources, being state government, local municipalities and the insurance industry. The proportion of funding for each contributor is approximately 12.5%, 12.5% and 75% respectively.

The insurance industry contribution for any given period is arrived at by firstly taking the annual budget set by the particular fire brigade and calculating the 75% contribution required from insurance companies. During the year of assessment insurance companies are required to declare the total Assessable Premiums for that year to arrive at a total premium pool. Each individual company's contribution is arrived at by assessing its annual declaration as a proportion of the total premium pool and is invoiced accordingly.

Over time the insurance industry identified one of the largest expense items to them as the Fire Brigade Charge, and commenced loading an additional premium to the standard premium in order to defray this specific and large expense. This additional premium has become known as the Fire Service Levy (FSL) and is collected from the insured. In order to ensure equity in the application of this FSL the Insurance Council of Australia takes the various factors into account (fire authority budgets, Assessable Premiums for prior, current and projected periods) and provides the industry with suggested FSL rates which may be applied should the individual companies so choose, in order to best meet the projected Fire Brigade Charges. In a perfect world the FSL should equate with the Fire Brigade Charge issued by each fire brigade authority. This FSL is set at the commencement of the Assessment Period.

The rates recommended by the Insurance Council of Australia are set out within the Australian procedures manual, which is available via the following link http://www.lloyds.com/index.asp?itemid=2431.

In the case of overseas underwriters authorised to carry on business in Australia as general insurers, the Australian broker is either responsible for or, as a practical matter, collects and pays the charges. Lloyd's underwriters have agreed in principle to reimburse Australian brokers for Fire Brigade Charges paid by them on business placed with Lloyd's underwriters. This is achieved via the Australian Fire Brigade Charges Scheme, administered in Australia by PwC.

In relation to direct assured business the Lloyd's broker must ensure that the Fire Service Levy is paid to the relevant State authority at the appropriate local rate. However, in practice the Lloyd's broker (unless affiliated with a local intermediary) may find it impractical to deal with each State Fire Brigade Authority on an individual basis. Therefore, if the Lloyd's broker does not elect to deal with this matter directly then he must advise the client that the Fire Service Levy has been noted but not deducted on their behalf and therefore the client must make the appropriate payment to the Fire Brigade Authority in the absence of the Lloyd's broker having done so. Of course, if the Lloyd's broker includes the Fire Services Levy on the client's invoice and retains it then it will be broker's responsibility to arrange for payment to be made regardless of the complexities of dealing with Australian Fire Brigade Authorities on a direct basis.

From 1 January 2004, FSL will be in operation in New South Wales, Victoria and Tasmania. Western Australia is currently restructuring the basis of funding the fire authorities and will cease the FSL regime from 31 December 2003.

Calculation of FSL

- FSL is charged on the Gross Premium.
- Income Tax is charged on the Gross Premium, inclusive of FSL.
- Goods and Services Tax (GST) is charged on the Gross Premium, inclusive of FSL, but exclusive of Stamp Duty.
- Stamp Duty is charged on the Gross Premium, inclusive of FSL and GST.

Impact of taxes on business insurance in metropolitan areas

State	Premium	Fire Service Levy		GST	Stamp Duty $		Total Cost
	$	%	$	$	%	$	$
ACT	100.00	NIL	NIL	10.00	10	11.00	121.00
NSW	100.00	30	30.00	13.00	5	7.15	150.15
NT	100.00	NIL	NIL	10.00	10	11.00	121.00
QLD	100.00	NIL	NIL	10.00	8.5	9.35	119.35
SA	100.00	NIL	NIL	10.00	11	12.10	122.10
TAS	100.00	28	28.00	12.80	8	11.26	152.06
VIC	100.00	27	27.00	12.70	10	13.97	153.67
WA	100.00	NIL	NIL	10.00	10	11.00	121.00

Impact of taxes on business insurance in country areas

State	Premium	Fire Service Levy		GST	Stamp Duty $		Total Cost
	$	%	$	$	%	$	$
ACT	100.00	NIL	NIL	10.00	10	11.00	121.00
NSW	100.00	30	30.00	13.00	5	7.15	150.15
NT	100.00	NIL	NIL	10.00	10	11.00	121.00
QLD	100.00	NIL	NIL	10.00	8.5	9.35	119.35
SA	100.00	NIL	NIL	10.00	11	12.10	122.10
TAS	100.00	28	28.00	12.80	8	11.26	152.06
VIC	100.00	40	40.00	14.00	10	15.40	169.40
WA	100.00	NIL	NIL	10.00	10	11.00	121.00

APPENDIX 7

SLIP/LPAN INFORMATION FOR THE RECORDING OF FIRE SERVICE LEVIES AND THE XCHANGING INS-SURE SERVICES CHECKING PROCEDURES BEING INTRODUCED

Lloyd's brokers, when submitting slips/LPANs for Australian risks incepting on or after 1 January 2004, will need to ensure that the documents submitted correctly record the FSL information, as agreed by underwriters. The slip/LPAN should therefore show the following information:

- A gross premium figure (inclusive of FSL).

- It is recommended that all slips with an Australian element provide a break down of premium over the states in which there is exposure. This will assist Xchanging Ins-sure Services in the identification of risks subject to New South Wales IPT and/or FSL.

- As a minimum, slips should identify exposure in the three states where FSL currently applies, being New South Wales, Tasmania and Victoria, and exposure in states where it does not. For example, where a slip covers property located in none of these states it should state 'No exposure in New South Wales, Tasmania or Victoria', and where exposure within these three states is limited to, say, Victoria it should identify that the balance contains 'No exposure in New South Wales or Tasmania'. Where not already agreed as part of the placing slip, or documentation attached thereto, underwriters' agreement should be obtained to the inclusion of any such apportionment in accordance with slip provisions.

- However, if the full details of premium allocated by state are not provided, it should be noted that a NSW premium split on the slip/LPAN will continue to be required as a result of IPT reporting requirements.

- The FSL amount, as agreed by underwriters, should be broken out as a deduction.

- Where there is exposure in any of these three states, but FSL does not apply, by virtue of the fact that coverage provided falls outside the scope of the FSL or, in the case of Victoria, the class of business insured is exempt, then the slip should state that 'No FSL is applicable', having had this agreed by underwriters.

- It is not necessary to apportion the FSL amount over the states to which it relates. An overall FSL figure will be acceptable, based on best estimates, as long as this estimate has been agreed by underwriters.

Xchanging Ins-sure Services have been requested to carry out the following checks on behalf of Worldwide Markets:

- Where the slip has exposure identified in New South Wales, Victoria and/or Tasmania, and is subject to any one of the risk codes F, PD, B4, B5, P3 or P5, a query will be raised where neither an amount of FSL nor reference to 'No FSL applicable' is contained in the slip. The broker will be asked to obtain underwriter(s) agreement to the missing information.

- If it is not obvious from the slip whether there is exposure in a State in which FSL is applicable, but the slip shows any one of the risk codes F, PD B4, B5, P3 or P5, a query will be raised with the broker if no FSL is shown. The broker should resubmit the slip/LPAN with the relevant FSL shown or, if applicable, the statement that 'no FSL is applicable'.

- If it is obvious from the slip that the risk relates to a State in which FSL is not applicable, but a deduction has been made, a query will be raised with the broker.

- If the AP/RP relates to a policy where the original risk incepted before 1 January 2004 then no query will be raised if FSL information is not shown.

- If the AP/RP relates to a policy where the original risk incepted on or after 1 January 2004 then the queries, as outlined above, will be raised.