

FROM: Director, Worldwide Markets
LOCATION: 86/G12
EXTENSION: 5998
DATE: 26 March 2004
REFERENCE: Y3274
SUBJECT: AUSTRALIA: MASTER POLICIES
SUBJECT AREA(S):
ATTACHMENTS: Appendix 1: Summary Checklist for Lloyd's Brokers
ACTION POINTS: **Underwriters and Brokers to note**
DEADLINE: **1 May 2004**

1.0 Purpose of Bulletin

This bulletin advises the new checking procedure that Xchanging Ins-sure Services have been instructed to carry out in relation to Australian master policies.

2.0 Background

Definition and Scope of a Master Policy

The Managing agent's code of practice for delegated underwriting ("the Code"), issued on 11 February 2004 with Market Bulletin Y3251, defines a master policy as follows:

"A master policy is a contract of insurance issued to an association, organisation or club to grant insurance cover to its individual members. These entities issue their members with a document (known as an evidence of cover) which sets out full details of the insurance or includes a full copy of the policy wording. These documents must state that the only insuring document is the master policy held by the association, organisation or club and that the individual member has the right to inspect the master policy at that entity's offices."

In order for a master policy to be accepted by Xchanging Ins-sure Services it must be operated by and held in the name of an association, organisation or club.

Lloyd's does not consider a master policy to be a binding authority, and the relevant associations, organisations or clubs are not considered to be coverholders.

For the avoidance of doubt, the following arrangements would not be regarded as master policies:

- ◆ Where a supplier of goods or services provides 'free' insurance with their product or service.
- ◆ Examples of business which must not be accepted under master policies include, but are not limited to, extended warranties/guarantee business or travel insurance.

3.0 Checking Procedures

Worldwide Markets have instructed Xchanging Ins-sure Services that:

- no Australian Master Policy for business incepting or renewing on or after 1 May 2004 is to be submitted to them on a stage 1 basis. Such risks must be submitted to Xchanging Ins-sure Services on a separation and accounting (S&A) basis, to allow policy checking and signing to occur. The agreed wording of the Australian Master Policy should be attached to the slip;
- they should not sign the Australian Master Policy without checking for sight of the Lloyd's General Representative in Australia's letter of approval.

The purpose of this new procedure is to ensure that Australian master policies are constructed and issued in such a manner to be in compliance with all Australian regulatory and tax obligations. A master policy which has been approved by the Lloyd's General Representative in Australia will not be required to go through the approval process on its renewal. However, at renewal the Lloyd's broker is required to advise the Lloyd's General Representative as to whether there have been any changes to the construction of the master policy or not, identifying the changes where they apply. The Lloyd's General Representative will then provide the Lloyd's broker with a letter confirming his continued acceptance of the master policy for attachment to the Lloyd's brokers' renewal documents.

The information that is required to be provided to the Lloyd's General Representative in Australia in order for them to review and approve an Australian Master Policy is shown within Appendix 1. It is the responsibility of the Lloyd's broker to provide this information to the Lloyd's General Representative in Australia prior to placement. The Lloyd's General Representative in Australia will review the programme materials and provide comments, including advice on any further steps that must be taken before approval, within 10 working days. When the Lloyd's General Representative is satisfied that the programme meets all applicable requirements, the Lloyd's broker will be notified by letter. The review process can be expedited by the early submission of full details and complete documentation.

Lloyd's underwriters should ensure that when placing their lines on such contracts that they have had sight of the letter of approval from the Lloyd's General Representative confirming that the contract of insurance is in order.

4.0. Implementation

With effect from 1 May 2004, all **new** Australian contracts of insurance, that fall within the definition of a master policy in this bulletin, must comply with the provisions in this bulletin. Any Australian contract of insurance that does not fall within the description of master policy in this bulletin will not be regarded as a master policy.

Where a managing agent currently leads an Australian contract of insurance that is described as a “master policy”, but where that contract does not fall within the definition of master policy in this bulletin, then that managing agent should discuss that contract with Lloyd’s Coverholders Department in order that the appropriate future treatment of that contract can be agreed in an orderly way.

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 E-mail: maxine.j.hooper@lloyds.com
Adam Glabay:	Tel: 020 7327 5615 E-mail: adam.glabay@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 E-mail: kstern@bigpond.net.au
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Lloyd’s Coverholders Department:

Binding Authority Help Desk :	Tel: 020 7327 6275 Fax: 020 7327 6688 Email: Lloyds-coverholders-department@lloyds.com
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We have sent this bulletin 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

MASTER POLICIES IN AUSTRALIA**INFORMATION TO BE PROVIDED TO LLOYD'S GENERAL REPRESENTATIVE IN AUSTRALIA****SUMMARY CHECKLIST FOR LLOYD'S BROKERS**

The following preliminary information must be furnished to Lloyd's General Representative in Australia before a review can be initiated:

1. Complete details about the association, organisation or club, including the date of establishment, a copy of its articles of association (or incorporation) and bylaws, the requirements and benefits of membership, etc.;
2. Copy of the Confirmation of Coverage or the Notice or Evidence of Insurance that is issued to each insured member of the association, organisation or club including disclosure of the relevant Disputes Resolution Process/Complaints Procedure as appropriate;
3. Copy of the Slip and the Master Policy wording;
4. Specification of the state/territory in which the group is headquartered and of the state(s)/territory(ies) in which it maintains other offices or facilities;
5. Where applicable, provide copies of AFSL (Australian Financial Services Licence(s)) or copies of Australian Securities & Investments Commission exemption(s) as appropriate.
6. List of states/territories in which insured members reside along with numbers of members per state;
7. Explanation of how the premium is assessed (e.g. is it part of the member's membership fee or a separate payment) and how and to whom the premium is paid by the insured member (e.g. directly to the broker or to the group);
8. Explanation of how the members are initially informed about the coverage available and a copy of any promotional or marketing material used in connection with the coverage or in connection with the solicitation of new members of the association, organisation or club where the material mentions the coverage, together with an explanation of how, to whom, and by whom such materials will be distributed.
9. Explanation of the arrangements for the payment of local taxes and charges as applicable.

The following information should be provided to Lloyd's General Representative in Australia once placement of the master policy has been completed:

- The name of the lead managing agent/syndicate and information as to whether the policy is underwritten 100% at Lloyd's and, if not, as to which companies are involved and their respective percentage participation;