

**FROM:** Director, Worldwide Markets  
**LOCATION:** 86 / G12  
**EXTENSION:** 5998  
**DATE:** 30 March 2004  
**REFERENCE:** Y3277  
**SUBJECT:** EU ENLARGEMENT: MARINE & AVIATION BUSINESS  
**SUBJECT AREA(S):** Reminder of regulatory reporting criteria for underwriters of Marine & Aviation business.  
**ATTACHMENTS:** Appendix 1 – list of EU/EEA member states from 1<sup>st</sup> May 2004  
**ACTION POINTS:** **Underwriters to note and observe revised slip content/notation as appropriate in respect of business in accession member states**  
**DEADLINE:** **Immediate**

## **1. Background**

On 1<sup>st</sup> May 2004, ten countries will be joining the European Union (EU). These “accession countries” are the Republic of Cyprus, the Czech Republic, Estonia, Hungary, Malta, Latvia, Lithuania, Poland, the Slovak Republic and Slovenia. By accession day, all pre-existing EU law on insurance is required to have been implemented by the national governments in the accession countries. There are no transition periods which are sometimes used to allow countries time for EU legislation to be implemented into national law.

A general bulletin about the issues surrounding European Union (EU) Enlargement and the implications for the Lloyd’s market (including the business which may be underwritten after accession) has already been issued (Y3264 dated 15<sup>th</sup> March 2004).

## **2. Purpose**

The purpose of this bulletin is to focus on specific issues to do with the reporting of Marine and Aviation business by insurers operating under the terms of the an EU single insurance market. An EU-authorized Insurer’s financial reporting is based on the country where each underwritten risk is located. The EU’s rules for locating risks do not necessarily match those outside the EU and a country’s accession to EU membership this may therefore necessitate changes in the way that business is recorded and reported. This particularly applies to Marine and Aviation business.

### **3. Impact of EU Accession on Marine and Aviation business practice**

Underwriters of Marine and Aviation business are reminded that it is necessary for regulatory purposes (and premium taxation purposes, where tax is applicable) to record correctly, for each 'vehicle' insured, the country to which the premium for the business is allocated. The EU rules provide that Marine and Aviation hulls are 'vehicles' and that the country of risk for regulatory reporting purposes is the country where the insured 'vehicle' is registered, if the country concerned is a member state of the European Union. These rules do not apply to reinsurance.

Therefore, slips in respect of direct insurance (i.e. not reinsurance) relating to a Marine or Aviation 'vehicle' registered in an EU member state need to show the country of registration. This information should be given for each 'vehicle' insured, and shown on the slip alongside the name and/or any unique identifier (e.g. the registration code for aviation business) of the 'vehicle'.

The above rules also apply to insured interests relating to Marine and Aviation hulls, i.e. those underwritten against Marine and Aviation hull risk codes (such as related liability, or increased value). However, the rules do not apply to fixed platforms, floating cranes or separate specific insurances of Cargo.

Underwriters are reminded that the requirement to locate the risk in the country where the 'vehicle' is registered applies throughout the EU and European Economic Area (EEA) member states, not just the accession countries joining the EU on 1<sup>st</sup> May 2004. A full list of these countries is shown at Appendix 1.

All Marine or Aviation 'vehicles' insured should be listed/scheduled on each slip in accordance with the above.

Premium paid on such insurance will be subject to any applicable premium tax in the country concerned. Applicable taxes must be shown on the slip in accordance with LMP rules and Lloyd's market bulletin Y2594 of 8<sup>th</sup> Aug 2001.

### **4. Checking by Xchanging**

Lloyd's will be discussing with Xchanging Ins-sure Services the best method of implementing checks to ensure compliance with these rules, but the market should be aware that slips which have an absence of required details and/or unclear information could be queried if not rejected.

Special care must be taken to provide the right detail where a single slip insures a mix of vehicles, some of which are registered in the EU and some of which are not. Where a single slip insures 'vehicles' registered in many countries, the premium needs to be apportioned and closed by country in accordance with the principles of underwriting 'global policies' set out in Bulletin Y2920 of November 2002. The need to apportion premium in this way applies equally to deposit premiums as to premiums paid in full.

**5. Further information / Likely update information**

Further practical guidance to the market arising from the matters discussed above, may take the form of a further Market Bulletin and/or advice issued via Market Associations.

The general issues surrounding European Union (EU) Enlargement and the implications for the Lloyd's market has already been issued (see Bulletin Y3264 dated 15<sup>th</sup> March 2004).

The information in this bulletin is subject to update when Lloyd's authorisations to accept business in the accession countries are confirmed by the Financial Services Authority.

Additional information can be obtained from

Lloyd's Worldwide Markets via the Market Services Helpdesk, at Box 190 on Gallery 1 in the Underwriting Room, 020 7327 6677 (e-mail [Market.services@lloyds.com](mailto:Market.services@lloyds.com))

Or either of the following

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**Appendix 1 – EU / EEA Member States from 1<sup>st</sup> May 2004**

Austria  
Belgium  
Cyprus,  
Czech Republic,  
Denmark  
Estonia  
Finland  
France  
Germany  
Greece  
Hungary  
Iceland  
Ireland  
Italy  
Latvia  
Liechtenstein  
Lithuania  
Luxembourg  
Malta  
The Netherlands  
Norway  
Poland  
Portugal  
Slovak Republic  
Slovenia  
Spain  
Sweden