

FROM: Director, Worldwide Markets
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SUBJECT: EU ENLARGEMENT : ADDITIONAL
RESPONSIBILITIES ON MANAGING AGENTS
WHOSE SYNDICATES TRANSACT MOTOR
INSURANCE
SUBJECT AREA(S):

1. With effect from 1st May 2004, compulsory third party motor vehicle liability insurance of vehicles registered in Cyprus or Malta becomes subject to the provisions the EU single market Motor Insurance Directives.
2. Reminder of the relevant provisions of the EU 4th Motor Directive
3. Confirmation of Lloyd's trading position regarding motor insurance in 'accession' countries.

ATTACHMENTS: Appendix 1 – list of EU/EEA member states with effect from 1st May 2004
Appendix 2 – Summary of the Fourth Motor Directive
ACTION POINTS: Managing Agents to comply with the requirements of the EU motor insurance régime, including those on

- o policy content, policy limits and geographical scope of coverage;
- o claims representation in EU countries; and
- o enhanced reporting requirements in Malta and Cyprus.

DEADLINE: **Immediate**

1. Purpose of Bulletin

A general bulletin about the issues surrounding European Union (EU) Enlargement and the implications for the Lloyd's market has already been issued (Y3264 dated 15th March 2004).

The purpose of this separate Bulletin is to provide specific guidance and advice on the European Union (EU) rules regarding the underwriting of compulsory motor vehicle liability insurance (EU class 10) of vehicles in the context of the enlarged EU. On 1st May 2004, 10

countries will be joining the European Union (EU). These “accession countries” are the Republic of Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia. All pre-existing EU insurance law, including the various Motor Insurance Directives, is required to have been implemented by the national government in each member state by accession day as a condition of accession.

2. Lloyd’s trading position as regards motor insurance in each ‘accession country’.

2.1 Malta and the Republic of Cyprus

Lloyd’s is already a licensed insurer in Malta and Cyprus and able to transact motor business in these countries. Subject to approval by the UK’s Financial Services Authority (FSA) in consultation with the national Regulator in each country, it is anticipated that syndicates may continue to underwrite motor business in these two countries, subject to meeting the provisions of the EU Directives, and any additional local rules which are carried forward by the national authorities in each country.

Managing Agents are reminded that the EU motor insurance régime places detailed reporting obligations on insurers concerning insured vehicles. Therefore, Lloyd’s Worldwide Markets must be given prior notice by any syndicate in respect of each EU member state where a Managing Agent wishes to begin writing motor insurance (outside the UK). This now applies to Malta and Cyprus.

2.2 Other accession countries

A review of the trading opportunities for Lloyd’s in the accession countries in Central and Eastern Europe was carried out by Worldwide Markets during 2003 with consultation from individual underwriters and brokers, and market associations. The conclusion of this review, which has been approved by the Lloyd’s Franchise Executive, was that Lloyd’s should NOT seek formal authorisation to underwrite motor business in these countries. In the light of these conclusions, Lloyd’s syndicates will not initially be permitted to transact motor vehicle liability business for vehicles registered in the 8 Central and Eastern European accession countries.

This situation will be kept under review and any Managing Agent wishing to underwrite motor vehicle liability insurance for vehicles registered in these countries will need in the first instance to contact Lloyd’s Worldwide Markets.

3. Reminder of the General Principles of the Motor Directives

The EU motor insurance régime so far comprises five Directives and has established harmonised principles of compulsory insurance in respect of civil liability arising out of the use of motor vehicles. The regime *inter alia* includes provisions on

- the minimum levels of coverage for personal injury and property damage
- who is covered
- the geographical scope of coverage
- claims settlement, guarantee funds and membership of national Motor Insurance Bureaux

4. Impact of accession of new member states for motor insurers

It is not the purpose of this bulletin to provide detail on long-established legislation which will be familiar to all underwriters.

4.1 General impact of the Motor Directives

However, in summary, Managing Agents whose syndicates are already trading motor business in Malta or Cyprus, would be well advised to check policy wordings to ensure they match EU requirements and not those of the pre-existing national law. (As an example, the geographical scope of coverage in a motor policy which insures any vehicle registered in an EU member state, must be extended to include all EU member states.)

4.2 Specific issues arising from the Fourth Motor Directive (“4MD”)

A summary of the provisions of 4MD can be found at Appendix 2

4.2.1 All Accession countries

Although Lloyd’s is not seeking formal authorisation to write insurance for vehicles registered in the 8 central and eastern European accession countries, the fact remains that insurers must appoint a claims representative in each member state. So an appointment is necessary for all 10 accession countries. The following information was provided at the time that 4MD was implemented in January 2003 and remains relevant to accession countries.

- a) All Managing Agents whose syndicates writing any motor vehicle liability insurance for EU-registered vehicles (whether they are members of the Lloyd’s Motor Underwriters’ Association or not) should appoint their own claims representative in each accession country.
- b) These appointments must be notified to Lloyd’s Worldwide Markets (to Zoë Kilminster – contact details below) and also to the UK National Information Centre (the MIIC). LMUA members may wish also to advise the LMUA of their nomination.
- c) Lloyd’s will notify these appointments to all other National Information Centres.
- d) In order to guard against the possibility that an appointment is not made properly thus jeopardising Lloyd’s position as an FSA-authorised motor insurer, Lloyd’s centrally will also appoint claims representatives in all accession countries and notify the National Information Centre in each state. Recharge of the costs associated with this will be made to syndicates on a user-pays basis. (Underwriters may wish to note that since the original implementation of 4MD in January 2003, there have been no instances where Lloyd’s centrally appointed ‘default’ representative has been used)
- e) Future appointments or changes by syndicates of claims representatives should be notified to Lloyd’s within five working days of the change or appointment. Lloyd’s will then forward this notification to the National Information Centres of all member states.
- f) No notification need be made in respect of syndicates that do not write direct motor vehicle liability business in any EEA member state.

4.2.2 Malta and the Republic of Cyprus

Managing Agents whose syndicates transacting motor business in respect of Cypriot- or Maltese-registered vehicles should ensure that they have the systems and processes in place to discharge their international reporting requirements to the respective National Information Centres.

Lloyd's Worldwide Markets maintains a record of details of the National Information Centres and the detailed policy information that must be provided to them. For further information on this, please contact Zoë Kilminster (contact details appear below).

5. Further information

Further information about the content of this Bulletin may be obtained from Lloyd's Worldwide Markets as follows

Zoë Kilminster, 020 7327 6772 (e-mail: Zoe.kilminster@lloyds.com)

Marianna Papadakis, 020 7327 6802 (e-mail: Marianna.papadakis@lloyds.com)

Underwriters may also wish to contact the Lloyd's Motor Underwriters' Association - contact Roger Jones or Nigel Withyman, telephone 020 7626 7006.

Julian James
Director Worldwide Markets

Appendix 1

EU / EEA Member States from 1st May 2004 (excluding the United Kingdom)

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

Appendix 2 – Summary of the Fourth Motor Directive’s (“4MD”) provisions

Implementation of 4MD in the UK

The 4MD became effective in each EU member state in January 2003. It was implemented in the UK via various legislative instruments but fundamentally individual Lloyd’s Managing Agents were treated as insurers for the purpose of implementation.

The FSA issued amendments to its Handbook and issued other rules relating to the implementation of 4MD in December 2002, and announced that compliance with these revised requirements is a “Threshold Condition” for insurers underwriting compulsory motor vehicle liability insurance. Managing Agents are reminded that failure to comply with a Threshold Condition may jeopardise an insurer’s FSA authorisation.

Key provisions of 4MD

4MD inter alia introduced specific reporting and international representation requirements for insurers transacting such business. Previous detailed communication to the market regarding the provisions of 4MD was made in the following bulletins:

- Y2897 dated 28th October 2002
- Y2972 dated 15th January 2003
- Y2975 dated 20th January 2003

In the Lloyd’s context its provisions catch not only motor syndicates insuring UK-registered vehicles, *but also underwriters trading overseas motor business in respect of vehicles registered in other EU member states. This is typically underwritten by non-motor syndicates, often in the non-marine market via coverholders.*

Underwriters are reminded that the 4MD’s key provisions

- give victims of accidents a direct right of action against insurers in certain circumstances.
- require an insurer to appoint a Claims Representative in each EU member state other than the insurer’s ‘home’ state. This Claims Representative acts as a contact point in each member state with an obligation to deal in local language with a claimant and authority to investigate and settle claims on behalf of the insurer.
- require an insurer to transmit data on each insured vehicle to a National Information Centre in the member state where the vehicle is registered.