

FROM: Director, Worldwide Markets EXTN: 6677
DATE: 17 February 2005 REF: Y3495
SUBJECT: **Italian Accessori**
SUBJECT AREA(S): To clarify the application of Accessori charges on Italian policies
ATTACHMENTS: None

ACTION POINTS: **Managing Agents and Brokers to note**
DEADLINE(S): **Immediate**

1 Background

Accessori (or Addizionali) is an additional administrative fee which can be surcharged on gross premium on Italian policies, when competitive circumstances permit. Accessori charges should only be made if there are justified reasons. This bulletin seeks to clarify the application of Accessori on Italian policies.

2 Agreement of Accessori

Accessori should not be greater than 10% of the gross premium. If Accessori is charged on a policy, underwriters should agree in advance how it is to be shared between themselves, the Lloyd's Broker and/or the Italian intermediary. It is the responsibility of underwriters to decide how Accessori should be allocated, whether the fee is to be shared with the intermediary or received in full by the intermediary to cover the costs of managing the contract. For transparency, any Accessori charge should be disclosed in the policy separate from the net premium.

3 Disclosure of Accessori to contracting parties/insureds

If Accessori is charged it is important that it is disclosed clearly to insureds. It should appear as a percentage of the gross premium and, in cases where the Accessori is split, should show the proportion due to underwriters and proportion due to the intermediary. Accessori should be shown as an amount in addition to the gross premium, to ensure there is no misrepresentation to the insured of such charges.

WWM are aware that Lloyd's managing agents, along with other London insurers, are currently in discussions with brokers about brokers' basis of remuneration and in particular to what extent, if at all, insurers are responsible for the payment of various services performed by the brokers. It is therefore possible that the above recommendations may change should any definitive conclusions be reached in the discussions. In the meantime, it is regarded as essential that the insured should be made aware of all charges made by intermediaries and what they relate to.

4 Value of Accessori

As mentioned above, the percentage of Accessori should not exceed the market percentage of 10% of gross premium. Gross premium is the premium paid by the insured including commission and brokerage, but not including premiums taxes or other fiscal charges and not including Accessori. If the intermediary has sustained additional costs for services provided to underwriters, the reimbursement of these costs must be negotiated separately and never charged to the insured as Accessori.

5 Further Information

Further information is available from Worldwide Market Services at box 190 in the Underwriting Room, telephone number 020 7327 6677, email: market.services@lloyds.com.

Underwriters and brokers interested in reading in more detail about the workings of Accessori charges may access the Italian country manual on the Lloyds.com website at the following address <http://www.lloyds.com/wwm/index.asp?itemid=2760>. This information is password protected: details of the password can be obtained from Worldwide Market Services.

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