

MARKET BULLETIN

From	Director, Worldwide Markets
Date	12 December 2005
Reference	Y3697
Subject	Update on Lloyd's trading status in Argentina
Subject areas	Clarification of legislation relating to the type of business that may be written by Lloyd's in Argentina
Attachments	None
Action points	Lloyd's underwriters and brokers to note what business may be written in Argentina
Deadlines	Immediate

Purpose of bulletin

This bulletin provides an update on Lloyd's trading status in Argentina (previous bulletin issued on this subject was reference Y2985, dated 11 February 2003) and is effective immediately.

It advises that the only direct insurance that can be written by an unlicensed insurer e.g. Lloyd's, covers the transport of goods to be exported from Argentina and to be imported into Argentina. Lloyd's underwriters are no longer able to write marine hull business on a direct basis.

The bulletin also provides information on reinsurance contracts, together with the choice of law and jurisdiction applicable to direct insurance (where permitted) and reinsurance business.

Lloyd's underwriters' trading status

The earlier bulletin advised that Lloyd's underwriters were not licensed as a direct insurer but could write marine hull and cargo, including cargo liability. This position has come under close scrutiny and we have as a result sought further legal advice to clarify the situation. Legal counsel has advised that "foreign companies [this would include Lloyd's] are currently authorised to underwrite insurance related to the transport of goods in foreign trade

transactions entered into by Argentine residents”¹. Lloyd’s underwriters are, therefore, able to provide cover for the transport of goods to be exported from Argentina and to be imported into Argentina. While the goods are in the country the transport of such goods must be insured by local insurance companies. Regrettably Lloyd’s underwriters are not now able to write marine hull business on a direct basis; this will need to be written in the first instance by a licensed insurer in Argentina and then reinsured by Lloyd’s underwriters. Any current insurance contracts/policies classified as ‘marine hull’ should, upon next renewal, be renewed on a reinsurance basis.

Reinsurance contracts

We have also received advice that under Argentine law, a reinsurance contract may not include a condition giving the reinsurer a right to avoid the contract for non-payment of premium. It is recommended that independent legal advice be taken as to the terms of any relevant contract.

Law and jurisdiction

Whereas *Argentine law and jurisdiction*² must apply to all direct insurance policies/contracts, this is not the case for reinsurance contracts, where the choice of law and jurisdiction may be agreed between the parties involved.

Further information

If you have any queries about this bulletin, please contact Lloyd’s Worldwide Market Services:

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This bulletin has been sent to active underwriters and the compliance officers of managing agents and Lloyd’s brokers.

The information contained in this market bulletin is provided in order to support managing agents in meeting their commitment **‘to protect Lloyd’s licences and authorisations to conduct insurance business in the UK and overseas’**. The information will also help underwriters decide, prior to binding, how a risk can be underwritten in compliance with Lloyd’s trading rights in the country concerned.

Julian James

Director - Worldwide Markets

¹ This follows section 2 of Law N° 12,988, which prohibits the insurance of any kind of interests or risks falling within Argentine jurisdiction abroad. This means that all insurance risks occurring within Argentina, covering or affecting goods located and persons residing in Argentina must be underwritten by companies duly licenced in Argentina.

² Argentine jurisdiction generally comprises the territory of Argentina (i.e. the national territory, the Argentine sea, the Argentine part of the Atlantic ocean and the Argentine isles located in the South Atlantic ocean) and all individuals therein – whether residents or not – and any asset or property as well as insurable interest located therein.