

MARKET BULLETIN

From	Director Worldwide Markets (extn 6677)
Date	4 September 2006
Reference	Y3866
Subject	USVI - changes to certain requirements relating to non-resident agents and to the countersigning process
Subject areas	Non-resident agents and the countersigning requirements
Attachments	None
Action points	To note the new requirements and need for continued compliance with quarterly reporting and form filing requirements
Deadlines	Immediate

The purpose of this Market Bulletin is to advise all managing agents and Lloyd's brokers that certain requirements relating to non-resident agents and to the countersigning process have been declared unconstitutional.

Following a challenge by the Council of Insurance Agents and Brokers in February of 2004, the federal District Court of the Virgin Islands by a July 18, 2006, decision found unconstitutional the requirements that: (1) only a licensed resident agent could countersign insuring documents; (2) a non-resident agent could not directly or indirectly solicit business in the USVI and (3) that a non-resident USVI licensed agent or broker could only place insurance that was directly procured from an insured outside the USVI with the countersignature of a resident agent who had to be paid a fee.

The effect of this decision on USVI business written by Lloyd's underwriters, either directly or indirectly through coverholders, is that there no longer is a requirement to use a locally licensed agent to meet the countersignature requirement. Provided non-resident agents are licensed in the USVI, they will be able to countersign the insuring documentation and may, directly or indirectly, solicit insurance covering any subject located, resident or to be

performed in the USVI without the need for having the documentation countersigned by a licensed USVI resident agent.¹

In order to complete the mandatory filings and payment of the gross premiums tax to the Division of Banking and Insurance, Lloyd's underwriters working through a USVI licensed non-resident agent may either:

1. Continue to use a USVI Lloyd's licensed resident agent to prepare the quarterly and annual reports for submission² and payment of the five percent gross premiums tax to Lloyd's USVI Attorney in Fact ("AIF"); or
2. Instruct their non-resident coverholder or open market correspondent that they must submit the quarterly and annual reports on forms³ that have been approved by the Division of Banking and Insurance and pay the five percent gross premiums tax, directly to Lloyd's USVI AIF. They should contact the AIF for the deadlines to make the quarterly submissions. Failure to file the statements with the information required and pay the taxes specified will result in fines and the underwriter will be prohibited from doing any business in the USVI, until such taxes and penalties are paid.

Lloyd's underwriters are reminded that no policy forms or endorsements may be issued or delivered on behalf of Lloyd's Underwriters that have not been filed and approved for use in the USVI by the Commissioner of Insurance.

Further Information

If you have any queries regarding the content of this Market Bulletin, please contact:

Lloyd's Worldwide Markets Services	Telephone:	+44(0) 207 327 6677
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	Location:	Box 190b, Gallery 1

¹ For details of the procedure to become a licensed agent for Lloyd's in the USVI, please contact Lloyd's USVI Attorney in Fact, Hank Feuerzeig. All resident or non-resident coverholders and open market correspondents (OMCs) need to be licensed to place insurance covering any subject located, resident or to be performed in the USVI. Coverholders, as in the past, still will need to be registered by Lloyd's and licensed as agents in the USVI, which requires appointment as an Agent by Lloyd's and completion of a Statement of Agreement to Serve as Agent by the coverholder. OMCs also will have to be registered by Lloyd's, be licensed in the USVI and be appointed as a Producer by Lloyd's and complete a Statement of Agreement to Serve as Producer.

² These reports include: (1) quarterly and annual gross, return and net premiums, paid, outstanding and incurred, but not reported losses and allocated loss adjustment expenses, (2) quarterly open market placements and (3) quarterly aggregate exposure. The reports must be filed and taxes paid to the Division of Banking and Insurance no later than the first day of February, May, August and November

³ Available from Lloyd's AIF Hank Feuerzeig

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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 Canada.

More detailed information on Lloyd's trading rights may be found on www.lloyds.com/Lloyds_Worldwide. Select the appropriate country from the drop down menu which will take you to the webpage for the country selected. Select the "Quick Reference Guide" link for a summary of Lloyd's licensing position. More detailed information may then be obtained for certain countries by selecting 'Manual' from the menu on the left hand side of the screen. You will be asked to input a password. Please contact the Worldwide Market Services (contact details as above) in order to obtain this information.

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