

# MARKET BULLETIN

REF: Y4290

<b>Title</b>	New Xchanging checks on international binding authority contracts
<b>Purpose</b>	To advise the Market of the introduction of new checks by Xchanging on Binding Authority Contracts
<b>Type</b>	Event
<b>From</b>	Cameron Murray, Senior Manager, International Regulatory Affairs General Counsel's Division
<b>Date</b>	16 June 2009
<b>Deadline</b>	The checks referred to come into force on 1 July 2009
<b>Related links</b>	<a href="#">Lloyd's Binding Authority QA Tool</a>

## Summary

This bulletin is to inform Lloyd's brokers and underwriters of the introduction of new checks on Binding Authority Contracts applicable to:

Chile	Hong Kong	Papua New Guinea	Vanuatu
Gambia	Namibia	South Africa	Zimbabwe

With effect from 1 July 2009 Xchanging will apply the checks detailed in Appendix 1 to binding authority contracts. For three months from this date (i.e. to 1 October 2009), failure to comply with these checks will result in Xchanging raising a Category C query, i.e. the broker will be notified of non-compliance but the signing will not be delayed thereby. After this initial three month introductory period (effective 1 October 2009), Xchanging will raise Category A queries (i.e. delay signing) where binding authority contracts do not comply with these requirements. Appendix 1 details on what basis these checks will be carried out by Xchanging.

## Background

Lloyd's and Xchanging have recently carried out a review of the checks that Xchanging carries out on international binding authority business. The review took into account the risks to Lloyd's international licence positions arising from non-compliance with local

regulatory requirements. As a consequence of that review, Lloyd's have instructed Xchanging to perform the new checks on the basis outlined in the summary above. The new checks in Appendix 1 can be found in Lloyd's Binding Authority QA Tool.

### **Detail**

Please see Appendix 1 below for a list of the new checks that Xchanging will apply to Binding Authority Contracts.

### **Further information**

For further information please contact:

Lloyd's International Trading Advice (LITA)

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**Appendix 1**

<b>Country</b>	<b>Check wording</b>	<b>Applicability</b>
Chile	OTHER CONDITIONS AND/OR REQUIREMENTS – Chile:- As a registered reinsurer, Lloyd's has been allocated a registration code – “R-232”. The binding authority must provide for this to be given to ceding companies, for inclusion in their quarterly filing with the Insurance Superintendency.	This check will be carried out on binding authority contracts where the reinsured is located in Chile.
Gambia	OTHER CONDITIONS AND/OR REQUIREMENTS – Gambia:- If business is to be accepted by a non-resident coverholder, ensure that the contract provides for any local producing intermediary to be licensed and registered with the Gambian Commissioner of Insurance. This check applies to reinsurance business only, as insurance business can only be written on a direct assured basis (i.e. without the involvement of a local intermediary).	This check will be carried out on binding authority contracts where the reinsured is located in Gambia.
Hong Kong	OTHER CONDITIONS AND/OR REQUIREMENTS – Hong Kong:- Ensure that the binding authority contains a clause requiring the coverholder to abide by Part F of the Code of Practice for the Administration of Insurance Agents.	This check will be carried out on binding authority contracts where the coverholder is located in Hong Kong.
Namibia	OTHER CONDITIONS AND/OR REQUIREMENTS – Namibia:- If business is to be accepted by a non-resident coverholder, ensure that the contract refers to any local producing intermediary to be registered with the Namibia Financial Institutions Supervisory Authority.	This check will be carried out on binding authority contracts where the risk and/or the insured is located in Namibia.
Papua New Guinea	OTHER CONDITIONS AND/OR REQUIREMENTS – Papua New Guinea:- Where business is underwritten by a coverholder outside Papua New Guinea, ensure that the contract provides for brokers situated in Papua New Guinea to approach the domestic market first with each insurance OR reinsurance placement. If INSURANCE BUSINESS cannot be placed in the local market, the broker is required to obtain written approval from the Commissioner. Requests to the Commissioner for OFFSHORE REINSURANCE placements will be subject to confirmation that the risk has been offered to Pacific Re and all other local insurers/reinsurers.	This check will be carried out on binding authority contracts where the risk and/or the insured is located in Papua New Guinea.

Papua New Guinea	OTHER CONDITIONS AND/OR REQUIREMENTS – Papua New Guinea:- Where business is underwritten by a coverholder outside Papua New Guinea, ensure that the binding authority contract provides that any local insurance broker AND/OR appointed loss adjuster is licensed with the Office of the Insurance Commissioner.	This check will be carried out on binding authority contracts where the risk and/or the insured is located in Papua New Guinea.
South Africa	OTHER CONDITIONS AND/OR REQUIREMENTS – South Africa:- If business is to be accepted by a non-resident coverholder, ensure that the contract refers to any producing local intermediary being licensed under the Financial Advisory and Intermediary Services Act.	This check will be carried out on binding authority contracts where the risk and/or the insured is located in South Africa.
Vanuatu	OTHER CONDITIONS AND/OR REQUIREMENTS – Vanuatu:- Where business is underwritten by a coverholder outside Vanuatu, ensure that the contract provides for any local producing intermediary to be registered with the Registrar of Insurance.	This check will be carried out on binding authority contracts where the risk and/or the insured is located in Vanuatu.
Zimbabwe	OTHER CONDITIONS AND/OR REQUIREMENTS – Zimbabwe:- Ensure the binding authority contract provides for the fact that Zimbabwean brokers must obtain approval from the Zimbabwean authorities on a case-by-case basis for every placement. This requirement applies to both insurance and reinsurance.	This check will be carried out on binding authority contracts where the risk and/or the insured is located in Zimbabwe.