

MARKET BULLETIN

REF: Y4668

Title	Lithuania: Establishment authorisation and General Representative
Purpose	To inform the market that Lloyd's has obtained establishment authorisation in Lithuania and appointed a General Representative in Lithuania.
Type	Event
From	Cameron Murray, Senior Manager, International Regulatory Affairs General Counsel Division
Date	1 February 2013
Deadline	With immediate effect.
Related links	

Summary

Lloyd's underwriters have received authorisation to write insurance business in Lithuania on an establishment basis.

Lloyd's has appointed Mr Tomas Kontautas, partner of the law firm SORAINEN in Vilnius as its and underwriters' General Representative for Lithuania.

Background

Following the granting of establishment authorisation in Lithuania, Lloyd's underwriters are permitted to underwrite all classes of insurance in Lithuania on an establishment basis with immediate effect. This is with the exception of motor vehicle liability insurance (class 10) and life business.

Freedom of establishment authorisation permits insurance to be underwritten in Lithuania by a branch of an insurance undertaking whose head office is located in another EU member state. For the purposes of Lloyd's, this permits Lloyd's underwriters to appoint coverholders in Lithuania to write risks located in Lithuania and provides the opportunity for managing agents to establish service companies in Lithuania.

The authorisation of Lloyd's underwriters to write risks located in Lithuania on a freedom of services basis remains in place and is unchanged. This may be done by coverholders

located in another EEA member state under a full or limited binding authority agreement (provided they obtain the appropriate passporting authorisation for Lithuania) or on an open market basis from London.

General good provisions

The insurance regulator in Lithuania (the Bank of Lithuania) requires insurers carrying on business in their territory on an establishment basis to comply with the 'general good' provisions. These provisions have been incorporated into Crystal, but for further information regarding the concept of the 'general good' please refer to Appendix 1.

Lloyd's General Representative

It is a requirement of the freedom of establishment authorisation for Lloyd's underwriters to appoint a General Representative in Lithuania. The contact details of Lloyd's General Representative in Lithuania are:

Mr Tomas Kontautas
Lloyd's General Representative for Lithuania
c/o SORAINEN
Jogailos 4
01116 Vilnius
Lithuania
Tel: + 370 52 649 376
Fax: + 370 52 685 041
Email: tomas.kontautas@lloyds.com

Lloyd's General Representative must be nominated to receive service of suit for establishment business.

Market development

Please note that the Lloyd's representative in Lithuania is a "type 1" legal representative office which is the minimum required to enable underwriters to conduct establishment business. As such the office does not provide any additional services and underwriters wishing to obtain more information about business opportunities or market development in Lithuania should contact either the Lloyd's representative office in Poland or the International Markets department in London.

FIL codes

The EU definition of the "Member State where a risk is situated", should be used to determine whether a risk is situated in Lithuania. This definition is set out in Article 2(d) of EU Directive 88/357/EEC (Second Non-Life Insurance Directive). The definition of a risk located in Lithuania is also available on Crystal.

The following FIL codes will apply to Lithuanian business.

Direct insurance	
Placing Route	FIL Code
Lithuanian risk placed under a full binding authority held by a coverholder in Lithuania. (Establishment)	LTF1
Lithuanian risk not placed under a full binding authority held by a coverholder in Lithuania. (Services)	LTE1

The existing insurance FIL code for services business remains valid and is unchanged. The new insurance FIL code for establishment business will be used with immediate effect. The above codes will apply to premiums (including APs/RPs and declarations off binding authorities) and claims.

The current Lithuanian reinsurance FIL codes remain valid and unchanged:

Reinsurance		
Facultative	Non-proportional Treaty	Proportional Treaty
LTE2	LTE3	LTE4

Taxation

There are currently no Lithuanian premium taxes or parafiscal charges payable on insurance or reinsurance risks located in Lithuania. Please refer to the Taxation section of Crystal.

Managing agents who are considering setting up a service company to write establishment business in Lithuania are reminded that they must obtain their own tax advice based on their individual operations and activities to ensure all Lithuanian tax obligations are met.

Further information

If you require information regarding the regulatory requirements for underwriting or placing Lithuanian business, please contact:

Lloyd's International Trading Advice
 Lloyd's Desk, Ground Floor, Underwriting Room
 Telephone: + 44 (0) 20 7327 6677
 Email: LITA@Lloyds.com
www.lloyds.com/crystal

If you require information regarding business opportunities in Lithuania and the Baltic region, please contact:

Witold Janusz
Lloyd's Country Manager for Poland
Tel: + 48 (0)22 370 16 18
Email: witold.janusz@lloyds.com

or Ed Pennock
Senior Manager, International Markets
Tel: +44 (0)20 7327 6809
E-mail: edward.pennock@lloyds.com

Appendix 1

General good provisions

Whilst the financial supervision of an insurance undertaking in the EU is carried out by its home state regulator, there are certain aspects of insurance supervision that remain exclusively subject to supervision by the host state regulator. Article 28 of EU Directive 92/49/EEC (Third Non-Life Directive) states:

“The Member State in which a risk is situated shall not prevent a policyholder from concluding a contract with an insurance undertaking...as long as that does not conflict with legal provisions protecting the general good in the Member State in which the risk is situated.”

Therefore, the insurance regulator of a Member State in which a risk is situated requires an insurer to comply with its ‘general good’ provisions. Such provisions may include those concerning marketing and selling and contract law in respect of mass (i.e. principally personal lines) risks.

The EU Non-Life Directives do not define the concept of “general good”. However a European Commission Interpretative Communication issued in 2000 provided some clarification on this point. The Interpretative Communication stated:

- “For such a measure to be justified as being in the general good, it:
- must not have been harmonised at Community level;
 - must be non-discriminatory;
 - must be justified by imperative requirements in the general interest;
 - must be objectively necessary;
 - must not duplicate rules of the country of origin;
 - must be proportionate to the objective pursued.”

The Interpretative Communication can be found in the following link.

[http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32000Y0216\(01\):EN:HTML](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32000Y0216(01):EN:HTML)

Premium taxes and other fiscal charges are also subject to the rules of the country where the risk is located.

A copy of the general good provisions for Lithuania can be found on Crystal under Reference/Insurance law and regulation.

The provisions have been incorporated into the Lithuania section of Crystal.