

MARKET BULLETIN

REF: Y4867

Title	U.S. Reinsurance: Uniform Certified Reinsurer application, Pennsylvania
Purpose	To announce Lloyd's approval to post reduced collateral under the Pennsylvania credit for reinsurance rules in respect of future U.S. reinsurance contracts with Pennsylvania domiciled cedants
Type	Annual
From	Rosemary Beaver, Head of International Regulatory Affairs
Date	2 February 2015
Deadline	None
Related links	Lloyd's market bulletin Y4508, 28 July 2011 Lloyd's market bulletin Y4511, 19 August 2011 Lloyd's market bulletin Y4524, 07 October 2011 Lloyd's USA reinsurance and state level collateral Link to Pennsylvania reduced collateral regulation

Summary

This bulletin is addressed to all Lloyd's market stakeholders dealing with the placement, underwriting, settlement and regulatory reporting of Lloyd's U.S. reinsurance business.

Lloyd's has been approved by the Pennsylvania Insurance Department to post reduced collateral in respect of U.S. property & casualty reinsurance contracts with Pennsylvania domiciled cedants. This is applicable to both new and renewal business incepting on or after 1 December 2014 where commercially acceptable and practical to all contracting parties.

Lloyd's is also approved under the New York and Florida reduced collateral regulations, details of which can be found in Lloyd's market bulletin Y4508 and Y4524 (see "Related links" above).

Uniform Certified Reinsurer Application Checklist

Lloyd's approval in Pennsylvania is the first occasion where Lloyd's has been able to utilise the application process set out under the NAIC's recently introduced Uniform Certified Reinsurer Application Checklist process. The NAIC's recognition of the UK as a Qualified Jurisdiction enables UK reinsurers to apply through this process. Lloyd's will continue to track developments in other states, consulting with the Lloyd's market as to the commercial benefits of seeking similar approvals. Lloyd's position remains that of advocating broader, harmonised reform of US reinsurance collateral rules.

Pennsylvania Approval

Lloyd's made an application to the Pennsylvania Department of Insurance which has now been approved enabling Lloyd's syndicates the option to post 20% of gross liabilities¹ (instead of 100%) in respect of U.S. reinsurance contracts with Pennsylvania domiciled cedants. This applies to both new and renewal business incepting on or after 1 December 2014. For detailed guidance addressing the requirements for reduced collateral contracts please refer to Lloyd's market bulletin Y4511, dated 19 August 2011 (see "Related links" above). This covers contract requirements, the collateral securing these contracts and the processing and regulatory reporting of this business.

Reinsurance contracts supported by reduced collateral requirements must be funded outside of Lloyd's US trust funds arrangements (i.e. the Lloyd's Credit for Reinsurance Trust Funds (CRTFs) and the Lloyd's Credit for Reinsurance Joint Asset Trust Fund (CRJATF)). These contracts will be funded on a cedant and contract specific basis where alternative security may be agreed between the parties to permit the cedant to take credit for reinsurance under the Pennsylvania regulation. This may take the form of letters of credit, funds withheld or cedant specific trusts.

Where reduced collateral arrangements are not commercially acceptable or practical, Lloyd's syndicates may continue to fund reinsurance contracts issued to Pennsylvania cedants through the current CRTF arrangements at 100% of gross liabilities.

Future Updates on Lloyds.com

For details on which states have adopted reduced collateral legislation, and future updates on Lloyd's application status, please refer to the Lloyd's USA reinsurance and state level collateral page on Lloyds.com (see "Related links" above) or on Crystal.

¹ This reduction is based on Lloyd's current financial strength ratings, which at the date of this bulletin, were an A rating from A.M. Best, A+ from Standard & Poor's and AA- from Fitch Ratings.

Further Information

If you have any queries relating to this bulletin please contact:

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