

MARKET BULLETIN

REF: Y5075

Title	Kentucky Admitted (licensed) Business Procedures
Purpose	To confirm: (1) changes to Xchanging procedures for processing Kentucky admitted business; and (2) to restate the key reporting and documentation requirements applicable to Kentucky admitted business
Type	Event
From	Stephen Yates, Senior Manager, International Regulatory Affairs
Date	22 March 2017
Deadline	Effective date: 1 April 2017
Related links	Kentucky Statute 304.14-120 Filing and approval of forms

Purpose

This Bulletin confirms changes to Xchanging procedures and restates (at Appendix A) the key reporting and documentation requirements when writing business through Lloyd's Kentucky licence.

Processing changes

This bulletin follows the introduction of Lloyd's requirement that, from 1 April 2017, **all** Kentucky admitted business signed under bulked accounting facilities, including: binding authorities, master policies, bulking lineslips and marine brokers covers, presented to Xchanging must include authenticated or countersigned supporting documentation.

Please note, this Xchanging requirement does not apply to open market premium, but open market business must still be countersigned by the Lloyd's Corporate Attorney in Fact in Kentucky.

It is already a requirement that Kentucky admitted business, signed under bulked accounting facilities which were via non-Kentucky resident brokers or direct assured business, needed to be accompanied with authenticated or countersigned supporting documentation.

Lloyd's has instructed Xchanging to expand these checks to all bulked premium to ensure that these requirements are complied with and to take action in the event of non-compliance. **A slip presented to Xchanging for signing that does not include the authenticated or countersigned supporting documentation will be queried by Xchanging and premium will not be processed until this information is provided.**

These changes bring the controls for Kentucky admitted business into line with the controls applied to Illinois admitted business.

Further Information and Contacts

If you require information regarding the local reporting and documentation requirements for underwriting or placing risks located in Kentucky, please contact:

Lloyd's Kentucky Inc.

200 West Main Street, Frankfort, Kentucky 40601-1806

Telephone: +1 502 875 5940

Fax: +1 502 223 5531

If you require information regarding the regulatory requirements for underwriting or placing risks located in Kentucky, please contact:

Jill Wilson

Telephone: +1 502 875 0415

Email: jill.wilson@lloyds.com or:

Lloyd's International Trading Advice

Lloyd's Desk, Ground Floor, Underwriting Room

Telephone: + 44 (0) 20 7327 6677

Email: LITA@Lloyds.com

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+44 20 7327 5351 or Email stephen.yates@lloyds.com

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+44 20 7327 6355 or Email luther.collins@lloyds.com.

Appendix A – Key Considerations for Kentucky Admitted Business

Countersignature

Every policy and supporting documentation covering a Kentucky admitted risk, whether written under bulked accounting facilities, as binder business or open market, must be submitted to Lloyd's Kentucky to be countersigned and recorded by the Lloyd's Corporate Attorney in Fact in Kentucky.

To obtain the countersignature, the following must be submitted:

- a copy of the policy and all endorsements;
- an allocation of the specific Lloyd's Kentucky premium by risk location;
- the binding authority number (UMR included) on the Declarations page;
- the commission rate; and
- the invoicing broker for certificates issued pursuant to a binding authority.

Binding authorities must also be submitted to Lloyd's Kentucky for their records. The binding authority must include the participating syndicates and their percentage of participation "signed down".

If the document issued is open market, each Lloyd's syndicate and its percentage of participation must be reported when the insuring documents are submitted.

If the insured is exempt from either Local Government Premium Tax or Premium Surcharge Tax, documentation should be provided supporting the exemption. Any questions regarding exemption documentation should be directed to Lloyd's Kentucky.

Policies submitted should be signed by a Kentucky licensed resident or non-resident agent appointed by Underwriters at Lloyd's, London. Any exceptions should be referred to Lloyd's Kentucky.

Any business submitted directly to Lloyd's Kentucky from London must have a licensed and appointed agent signature.

Submitting documents to Lloyd's Kentucky

Binding authority contracts, policies and supporting documentation should be submitted to Lloyd's Kentucky via e-mail: mail.ky@lloyds.com.

Documents can also be submitted through Secure Store or by E-File; Lloyd's Kentucky should be contacted for further details on access.

Paper documents should only be submitted if it is not possible to send them electronically. Only one copy should be submitted and this can be mailed to the Lloyd's Kentucky office.

Forms and wordings

All Lloyd's business with Kentucky content must be bound on forms filed with and approved by the Kentucky Department of Insurance (Kentucky Statute [304.14-120 "Filing and Approval of Forms"](#)). If you are unclear as to whether your forms are approved for use in Kentucky, please refer to the [Lloyd's Wordings Repository](#) (password required for access) or contact the Lloyd's representative via the contact details in the 'Further Information and Contacts' section above.

In order to make a filing with the Kentucky Department of Insurance, specimen copies of the proposed forms, along with written permission from the lead Lloyd's underwriter to make the filing(s), should be provided to Lloyd's Kentucky for filing on behalf of Lloyd's underwriters via the following e-mail: KYforms@lloyds.com.

US Classification¹

All US dollar business and all US situs business (regardless of currency) must be given the correct US classification. Brokers should be particularly careful to ensure the classification of Kentucky business is clear and accurate.

Xchanging can reject risks with missing or incorrect US classifications. The US classification must be shown on the Market Reform Contract (MRC), in the fiscal and regulatory section, and on any subsequent endorsements or closing bordereaux. The US classification for a Kentucky licensed risk should be **'US Kentucky licensed'**.

Failure to classify and fund risks accurately may have consequences for Lloyd's ability to continue trading in the US. Therefore the underwriter must ensure that the appropriate classification is shown on the slip pre-bind.

An insurance slip relating to property or risks situated in a number of US states may include Kentucky licensed business. If the Kentucky licensed business is included, the slip must split the premium between the Kentucky licensed exposures and the non-Kentucky exposures. The Kentucky licensed portion must be classified as 'Kentucky licensed'. Requirements relating to Kentucky licensed business must be complied with in relation to this element of the contract. Wherever a premium, additional premium or return premium is presented to Xchanging relating to a Kentucky licensed risk, a separate premium advice note (PAN) must be submitted in respect of Kentucky exposure.

¹ US surplus lines business where the "home state" is Kentucky should be recorded under the US Classification – "US surplus lines". Underwriters and brokers must ensure that this US classification is accurately recorded throughout the placement chain and as presented to Xchanging for central accounting (and for regulatory trust funding and reporting purposes).