

# Market Bulletin

Ref: Y5324

Title	Relinquishment of US Admitted Licences – Key Dates
Purpose	To remind the market of the decision to relinquish the US admitted licences & the relevant dates that must be adhered to
Type	Event
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In July 2020, Lloyd's announced its decision to strengthen its focus on the US reinsurance and excess and surplus (E&S) insurance market, and as a result to relinquish its admitted licences in the US Virgin Islands (USVI), Kentucky and Illinois.

## **Deadlines for Cessation of Licensed Business**

Lloyd's discussed the terms of the relinquishment with the local regulators and came to an agreement on the withdrawal dates which was communicated to the market in October 2020. As a reminder, those dates are as follows:

- In Illinois and Kentucky, no new licensed business will be permitted after 1 July 2021.
- Existing Illinois and Kentucky licenced business must be non-renewed or transitioned to surplus lines on the policy's next anniversary date after 1 January 2022.
- In USVI, no new licensed business will be permitted after 1 January 2022.
- Existing USVI licensed business must be non-renewed or transitioned to surplus lines on the policy's next anniversary date after 1 January 2024.

## **Nonrenewal Requirements**

A nonrenewal notice, sent within the relevant statutory timeframe required by the jurisdiction as detailed below, will be required for any policy that will cease to be written on Lloyd's paper (e.g., if a fronting arrangement will be used or the business will no longer be written). In addition, if a policy is being transitioned from licensed paper to the surplus lines market, a nonrenewal notice should be provided explaining the change. All surplus lines export requirements, such as diligent search, must also be complied with.

It is important to understand that nonrenewal notices are the responsibility of the insurer. The action of sending the notice may be delegated to an intermediary, but ultimately the lead underwriter on a particular risk or binder will be responsible if the notice requirements are not complied with. It is especially important that the market ensure compliance with nonrenewal requirements during the transition period as the US licensed business winds down. Failure to comply with these requirements could result in consumer complaints and regulatory investigations or fines. Most importantly, Lloyd's wants to ensure that there is no disruption to the local market and that insureds are properly notified of the changes taking place.

#### Kentucky Nonrenewal Requirements

In Kentucky, for both commercial and personal lines policies, a nonrenewal notice must be sent **at least 75 days prior** to the expiration date of the policy. **If the notice is not sent, the policy is deemed to be renewed for the ensuing policy period** upon payment of the appropriate premium under the same terms and conditions, until the named insured has accepted replacement coverage with another insurer, or until the named insured has agreed to the nonrenewal.

#### Illinois Nonrenewal Requirements

For Illinois **commercial policies**, a nonrenewal notice must be sent **at least 60 days** prior to the expiration date of the policy. **If the nonrenewal notice is not sent, the policy must be renewed under the same terms and conditions for an additional year** or until the effective date of any similar insurance procured by the insured, whichever is earlier. The renewal premium may be increased but only by less than 30% and notice of such increase must be delivered to the named insured on or before the date of expiration of the current policy period.

For Illinois **personal lines** policies, a nonrenewal notice must be sent **at least 30 days** prior to the expiration date of the policy. **If the nonrenewal notice is not sent, the policy shall terminate only on the effective date of any similar insurance procured by the insured with respect to the same subject or location.**

#### USVI Nonrenewal Requirements

In the USVI, for both commercial and personal lines policies, a nonrenewal notice must be sent **at least 30 days** prior to the expiration date of the policy. There are no statutes or guidance dictating consequences for noncompliance with the notice requirement. Lloyd's therefore recommends that the policy be extended in order to provide the required notice.

#### Conclusion

Additional guidance regarding the nonrenewal notice and other regulatory requirements for licensed business has been published by Lloyd's International Trading Advice and is available on Crystal. Managing agents should discuss these dates with any coverholders writing US admitted licensed business so that a compliance plan can be agreed. If any managing agent has questions regarding US admitted licensed business and the license relinquishment requirements please contact:

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