

Title	LPAN requirements for direct and reinsurance multinational contracts
Purpose	To inform the market of the territories where separate LPANs are required when writing direct and reinsurance multinational contracts
Type	Event
From	Maxine Hooper, Manager, International Reporting, Risk & Regulatory
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Deadline	Effective 1 March 2023

This communication provides information on territories where separate London Premium Advice Notes (LPANs) are required for both direct and reinsurance multinational contracts. The opportunity has been taken to consolidate the information within previous market bulletins on this topic (Y5361, dated 14 December 2021, Y4763, dated 27 January 2014 and Y4771, dated 13 February 2014) to provide one point of reference. Please see Appendices A and B for further information, which includes details of those territorial changes since Market Bulletin Y5361 relating to Brazil, China, Colombia, Cyprus, France (Overseas Community), Gibraltar and Singapore. Lloyd's parafiscal and regulatory obligations can of course change, and Lloyd's will continue to update its guidance as new requirements arise.

What are multinational contracts?

A multinational contract is a multi-jurisdictional policy designed to provide coverage for a policyholder's worldwide exposures. To be compliant, the insured and insurer must adhere to the laws, regulations, and tax obligations in all territories where there is a risk location. [The Risk Locator Tool](#) houses thousands of risk location rules and can be used by Lloyd's market participants to determine the risk location(s) under a multinational contract. If the regulatory rules of more than one territory apply with contradictory effect, a common-sense approach is necessary, and the underwriter should ensure arrangements provide appropriate protection to the insured.

Premium allocation

When allocating premium to the relevant territories under a multinational contract, the underwriter, with input from the broker, should apportion premium as appropriate to the territory concerned. Allocating premium ensures that business is correctly reported to regulatory authorities and taxes and other fiscal charges are paid correctly.

A common-sense approach to premium and apportionment should be adopted. Determining premium is in principle a commercial judgement. Consequently, if an underwriter decides not to consider a minor exposure in a particular territory, as to do so would not be economic, it is reasonable that no premium is allocated to that country. However, the underwriter must be able to justify why they have not charged a premium for a particular risk.

It is important that the apportionment methodology used to allocate premium can be evidenced as the regulators and tax authorities may request to see it and potentially question the method used.

It should be noted that in the case of multinational reinsurance contracts, if a cedant is specifically named on the contract then premium must be allocated to that cedant if they are in a territory listed under Appendix B.

What is an LPAN?

Premiums are usually settled to underwriters via Lloyd's central accounting. To create accounting entries, the slip and a London Premium Advice Note (LPAN) must be submitted to DXC for signing and processing. An LPAN is produced by the broker and contains all details relating to a premium transaction. Upon signing the premium, DXC will allocate an appropriate foreign insurance legislation (FIL) code taking into consideration the tax and regulatory category.

DXC has provided [guidelines](#) relating to the completion of the LPAN.

Taxes and parafiscal charges under a multinational contract

A multinational contract may give rise to tax exposures in several different jurisdictions. Compliance with tax requirements will normally require the premium to be apportioned between jurisdictions and may result in more than one country's tax being applied to the same premium. In addition, tax liabilities may be triggered by several factors beyond the location of a risk, including, residence of insured, route of the business into Lloyd's and Lloyd's status in each jurisdiction. A contract may also be subject to parafiscal charges to levy money for a particular purpose. The money raised is usually paid to a body other than a national tax authority.

Furthermore, multinational contracts, covering relevant risk locations, are subject to Lloyd's prudential reporting and trust fund/deposit obligations under its licenses worldwide. Lloyd's seeks to ensure that underwriters can accept risks in compliance with the prudential requirements applicable to Lloyd's business model in those territories.

LPAN requirements for direct multinational contracts¹

A direct multinational contract is an insurance contract that covers risks situated in more than one territory. This may arise if, in the case of direct business:

- There is more than one insured on the policy, and those insureds are located in more than one territory; or
- The policy covers property at more than one location, and those locations are in more than one territory; or
- The policy covers more than one aircraft, ship, boat, or vessel and the insured items are not all registered in the same territory, if registration is used to determine the legal location of the risk.

Those territories for which separate LPANs are required for direct multinational contracts are detailed in Appendix A.

For further information on identifying regulatory and tax risk locations, please refer to [Market Bulletin Y5325](#).

DXC has been advised that it only needs to query the failure to split out risks into separate LPANs from countries that appear on the lists attached at Appendices A and B. DXC has been advised to begin querying for the correct splits on the new territories mentioned within Appendices A and B from 1 March 2023.

LPAN requirements for multinational reinsurance contracts²

A multinational reinsurance contract is a reinsurance contract that covers insurance companies/cedants located in more than one territory.

Those territories for which separate LPANs are required for multinational reinsurance contracts are detailed in Appendix B.

US Risks

Appendices A and B permit the grouping of US premium as per the footnotes; however, such grouping is not mandatory. A Lloyd's broker can continue to submit multiple LPANs in respect of US risk locations.

¹ Multinational contracts which include both direct and reinsurance risks will need to provide separate LPANs in accordance with Appendix A for the direct risks and Appendix B for the reinsurance risks.

² See footnote 1 above.

NAIC Codes

Lloyd's underwriters and brokers are reminded that any LPAN reinsurance premium allocation to the US must be supported by the NAIC company code of the ceding US reinsured. If the contract reinsures more than one ceding US insurer, the NAIC code of each US cedant must be included. If the cedant does not have a NAIC code, its Federal Employment Identification Number (FEIN) may be stated instead. This information permits Lloyd's to complete important regulatory filing schedules, allowing completion of regulatory filings in accordance with Lloyd's accredited/trusteed reinsurer status in the US. A list of NAIC codes can be found on the NAIC's publications [webpage](#) (please search for "Quarterly Listing of Alien Insurers").

Who should I contact?

If you have any queries regarding this communication, please contact:

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Appendix A – LPAN requirements for direct multinational contracts

Antigua & Barbuda	France – COMs ³	Poland
Australia	Germany	Portugal
Austria	Gibraltar ⁴	Romania
Bahamas	Greece	San Marino
Barbados	Grenada	Singapore ⁵
Belgium	Hong Kong	Slovakia
Belize	Hungary	Slovenia
Bermuda	Iceland	South Africa
BVI	Ireland	Spain
Bulgaria	Israel	St. Kitts & Nevis
Canada	Italy	St. Lucia
Cayman Islands	Jamaica	St. Vincent & Grenadines
Colombia ⁶	Japan ⁷	Sweden
Croatia	Latvia	Switzerland
Cyprus	Liechtenstein	Trinidad & Tobago
Czech Republic	Lithuania	UK
Denmark	Luxembourg	US ⁸
Dominica	Malta	US – Virgin Islands licensed – prior to 01/01/2022
Estonia	Mauritius	US – Illinois licensed – prior to 01/01/2022
Finland	Namibia	US – Kentucky licensed – prior to 01/01/2022
France – Metropolitan	Netherlands	US – Other ⁹
France – DROMs ¹⁰	New Zealand	Vanuatu
France – CTUs ¹¹	Norway	Zimbabwe

³ French Overseas Community (Collectivie d'Outre-Mer, COMs) = Saint Martin, Saint Barthelemy and French Polynesia. Please note that Wallis & Futuna and St. Pierre et Miquelon are also classified as COMs, but there is no separate LPAN requirement. Lloyd's Europe (LIC) is not authorized to write business from: French Polynesia, Wallis & Futuna, and St. Pierre et Miquelon. The French Southern & Antarctic Lands (Terres Australes et Antarctiques) incl Kerguelen Islands and New Caledonia are territories with a special status, as a result do not require a separate LPAN. For further information in relation to French COMs please refer to [Crystal](#).

⁴ New addition – to support Lloyd's regulatory reporting obligations.

⁵ Separate LPANs are no longer required for premium relating to business where the situs of the policy is Singapore, and it has not been written via the Lloyd's Asia platform and is signed on or after 1 October 2022.

⁶ New addition – only in respect of direct marine, aviation, and transport business from Colombia. Please note: whilst a new addition to this Appendix, DXC currently query for the correct splits.

⁷ Only in respect of business that meets the requirements of the [Japan Open Market Model](#).

⁸ US includes all US surplus lines business from the 50 US states, one district (the District of Colombia) and the US Virgin Islands.

⁹ US Other includes all US surplus lines business from the dependent territories as set out within the US definition on [Crystal](#).

¹⁰ DROMs = Guadeloupe and La Reunion. For further information in relation to French DROMs please refer to [Crystal](#).

¹¹ CTUs = French Guiana (la Guyane), Martinique and Mayotte. For further information in relation to French CTUs please refer to [Crystal](#).

Appendix B – LPAN requirements for multinational reinsurance contracts

Antigua & Barbuda	Japan ¹²
Australia	Mauritius
Barbados	Namibia
Belgium	New Zealand
Belize	Singapore ¹³
Bermuda	South Africa
Brazil ¹⁴	Spain
BVI	St Kitts & Nevis
Canada	St Lucia
Cayman Islands	St Vincent & Grenadines
China ¹⁵	Trinidad & Tobago
Cyprus ¹⁶	Uganda
Dominica	US ¹⁷
Grenada	Vanuatu
Hong Kong	Zimbabwe
India	
Jamaica	

¹² Only in respect of business that meets the requirements of the [Japan Open Market Model](#).

¹³ Separate LPANs are no longer required for premium relating to business where the situs of the policy is Singapore, and it has not been written via the Lloyd's Asia platform and is signed on or after 1 October 2022.

¹⁴ Removed. Due to Lloyd's change in status in Brazil to Occasional Reinsurer there is no longer a need to continue to separately identify Brazil reinsurance risks.

¹⁵ New addition – to support the ongoing cross-border reinsurance registration process.

¹⁶ New addition – to support Lloyd's tax reporting.

¹⁷ Please see [Crystal](#) for the definition of the United States.