

Market Bulletin

Ref: Y5403

Title	New risk codes for the 2024 year of account
Purpose	To notify new risk codes to be introduced ahead of business planning for the 2024 year of account
Type	Event
From	Peter Montanaro, Market Oversight Director
Date	5 July 2023
Deadline	To be adopted for the 2024 year of account plan agreement process
Related links	Risk codes - Lloyd's (lloyds.com)

Lloyd's prescribes risk codes for the purposes of recording and categorising the business written by syndicates in the market. Managing agents are required to allocate all policies entered into to one or more of the risk codes, in accordance with the guidance Lloyd's provides. From time to time, we add, remove or amend the definition of risk codes so as to ensure that the risk codes continue to accurately reflect the business being written by syndicates.

We recognise that changes to risk codes can have operational implications for the market participants and may involve some cost in the updating of systems and processes. We therefore only seek to make changes where we consider it is essential to our efficient oversight of the market and our understanding of the business that is being written. Where we make changes we seek to engage with relevant stakeholders.

Having reviewed the existing risk code list and in view of the development of a number of classes, we consider that a number of new risk codes are required. Following consultation with the Lloyd's Market Association, we are therefore introducing nine new risk codes. We have also taken the opportunity to update the guidance of a number of other risk codes.

The new risk codes we are prescribing are listed in Appendix 1. Further guidance on when risks are to be allocated to one of these risks codes and details of the changes to existing risk codes is provided in Appendix 2.

Implementation

The new risk codes which have been incorporated into Lloyd's systems are to be adopted by managing agents for the 2024 year of account and should be used for the 2024 year of account business planning process. These changes will not affect the 2023 Year of Account (YOA) or prior years' reporting or Syndicate Business Forecast (SBF)

Details of the changes being made with the corresponding guidance will also be incorporated into the upcoming annual update to Lloyd's risk codes guidance and mappings documents.

Further information

If managing agents write or wish to write these perils/products and have any questions regarding the additional risk codes or the process to follow, they should contact the Underwriting Performance team at underwritingoversight@lloyds.com.

Appendix 1 – New Risk for 2024 YOA

RY	CYBER SECURITY DATA & PRIVACY BREACH TREATY REINSURANCE
RZ	CYBER SECURITY PROPERTY DAMAGE TREATY REINSURANCE
GO	ALLIED & MISC HEALTHCARE USA (EXCL LONGTERM HEALTHCARE USA)
GQ	INDIVIDUALS MEDICAL MALPRACTICE EXCL USA
ED	PROPERTY PROFESSIONAL SERVICES PI EXCL USA
EE	INSURANCE & FINANCIAL SERVICES ADVISERS PI EXCL USA
PA	PANDEMIC COVER FOR EVENT CANCELLATION AND NON-APPEARANCE
RS	STRIKES, RIOTS, CIVIL COMMOTION & MALICIOUS DAMAGE (EXCL 1T TO 8T 1E TO 4E)
RW	ACTIVE ASSAILANT (LEGAL LIABILITY, PROPERTY DAMAGE, BUSINESS INTERRUPTION & CRISIS RESPONSE)

Appendix 2 – New risk codes guidance and changes to existing risk codes:

Cyber reinsurance: two new risk codes to capture CY and CZ written as inwards treaty reinsurance.

Risk code RY: CYBER SECURITY DATA & PRIVACY BREACH TREATY REINSURANCE

- The ceded coverage in respect of first or third party costs, expenses or damages due to a breach (or threatened breach) of cyber security and/or privacy of data, that does not include damage to physical property.
- The risk code applies to all reinsurance contracts both proportional and non-proportional written as a treaty

Risk code RZ: CYBER SECURITY PROPERTY DAMAGE TREATY REINSURANCE

- The ceded coverage in respect of first or third party costs, expenses or damages due to a breach of cyber security that includes damage to physical property
- The risk code applies to all reinsurance contracts both proportional and non-proportional written as a treaty

Additional changes/guidance:

- Risk code CY: changed definition to specify that it excludes inwards treaty reinsurance
- Risk code CZ: changed definition to specify that it excludes inwards treaty reinsurance
- CY and CZ will only apply to insurance contracts or single risk reinsurance contracts, such as facultative reinsurance of a single insured.
- Care should be taken to follow the guidance provided in Lloyd's risk code guidance on multiple risks (Section 3.4).

Strikes Riots and Civil Commotion: One new risk code to isolate SRCC exposures from “traditional” standalone terrorism exposures

Risk code RS: STRIKES, RIOTS, CIVIL COMMOTION & MALICIOUS DAMAGE (EXCL 1T TO 8T 1E TO 4E)

- Direct physical loss or physical damage to tangible property caused by Civil Commotion, Malicious Damage, Riot, or Strike including post-loss Looting or a combination of any of the above perils and resultant Business Interruption if applicable.
- Should exclude Sabotage, Terrorism and other hostile acts, including War (whether formally declared or not), Rebellions, Insurrections, Revolutions, Coups, Civil War and other Political Violence perils.
- Mandatory application to standalone Terrorism coded policies.
 - Applicable to all policies written in the Terrorism and Political Violence market, including coverage for Strikes Riots and Civil Commotion (SRCC) perils.

- Applicable to stand-alone and named perils physical damage and resulting business interruption covers including those written on LMA3092 and other more comprehensive Political Violence wordings.
- Also applicable to “all risks” policies should SRCC coverage not be specifically excluded and is considered material in the syndicate’s own assessment, in line with Lloyd’s guidance on multi-peril risks
- Can be applied to policies written outside of the Terrorism and Political Violence market if, in the syndicate’s own assessment, the exposure reflects the definition given above and is considered material, in line with Lloyd’s guidance on multi-peril risks
- Should cover insurance and reinsurance (proportional and non-proportional).
- Should cover all methods of placement.
- Should cover all regions.

Deadly Weapon protection: One new risk code to identify exposures within standalone Terrorism covers

Risk code RW: ACTIVE ASSAILANT (LEGAL LIABILITY, PROPERTY DAMAGE, BUSINESS INTERRUPTION & CRISIS RESPONSE)

- Legal liability, property damage, business interruption, loss of attraction and crisis response following an active assailant event involving an assailant actively engaged in killing or causing serious bodily injury to a person using a weapon on any insured location and/or causing physical damage to the insured location.
- Excluding:
 - Injury or death to any employees of the Insured
 - Loss, injury or damage arising out of employment related claims of any type
 - Euthanasia, mercy killings and suicide
 - Loss, injury or damage arising out of any mental injury or mental anguish related claim where no actual bodily injury has occurred to the claimant
 - The use or operation, as a means for inflicting harm, of any computer, computer system, computer software programme, malicious code, computer virus or process or any other electronic system.
 - Ionising radiations from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel; Any weapon or device employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter; any chemical, biological, bio-chemical, or electromagnetic weapon.
- Business reported under this code should include:
 - US and non US business
 - Primary, excess and full value.
 - Standalone Active Assailant policies and Terrorism policies offering Active Assailant coverage.
 - Insurance and reinsurance.
 - Should cover all methods of placement.

Healthcare: split risk code One new risk code to split existing risk code GN (NURSING HOMES/ LONG-TERM AND ALLIED HEALTHCARE/OTHER MEDICAL MALPRACTICE RISKS IN USA): to distinguish between long-term care and Allied and Miscellaneous healthcare.

Risk code GO: ALLIED & MISC HEALTHCARE USA (EXCL LONGTERM HEALTHCARE USA)

- Medical professional liability coverage for owners and or operators of institutions that provide medical care within the USA
- It can be written within the open market or as part of a facility
- It can be written as insurance or reinsurance

Additional changes/guidance:

- Risk code GN: changed to LONGTERM HEALTHCARE USA
- Risk code GN description update:
 - Medical professional Indemnity and or general liability coverage for single and multi-location operators and or owners of Long term or senior care operations
 - It can be written within the open market or as part of a facility
 - It can be written as insurance or reinsurance

Medical Malpractice: One new risk code to split risk existing risk code GM (MEDICAL M5ALPRACTICE EXCL USA): to distinguish between institutional and individual medical malpractice.

Risk code GQ: INDIVIDUALS MEDICAL MALPRACTICE EXCL USA

- Medical professional liability coverage for medical practitioners either singular or in groups excluding coverage for any services provided where liability is found within the USA
- It can be written within the open market or as part of a facility
- It can be written as insurance or reinsurance

Additional changes/guidance:

- Risk code GM: changed to INSTITUTIONAL MEDICAL MALPRACTICE EXCL USA
- Risk code GM description update:
 - Medical professional liability coverage and or general liability coverage for owners and or operators of institutions that provide medical care where there is no coverage required in the USA
 - It can be written within the open market or as part of a facility
 - It can be written as insurance or reinsurance

Non-US Professional Indemnity (PI): One new risk code for property services PI and Errors and Omissions (E&O) excluding USA: to separate exposure to these occupations from E9 (miscellaneous PI and E&O exc. USA)

Risk code ED: PROPERTY PROFESSIONAL SERVICES PI EXCL USA

- Professional indemnity coverage written for professional services insureds operating in the property sector, specifically surveyors, valuers, estate agents and property managers.
- Mandatory use in the commercial Professional Indemnity (PI) market where the insured's primary or majority business interests fall within the sectors above.
- For cases where the insureds operations include the above sectors as a minority of activity the miscellaneous code E9 should be used.

- For risks written via delegated authority the above guidance should be applied to the portfolio as a whole.
- For use on all coverage provided for territories excluding the USA.
- Should cover insurance only.
- Should cover all methods of placement.

Non-US Professional Indemnity (PI): One new risk code for insurance and financial services PI and Errors and Omissions (E&O) excluding USA: to separate exposure to these occupations from E9 (miscellaneous PI and E&O exc. USA)

Risk code EE: INSURANCE & FINANCIAL SERVICES ADVISERS PI EXCL USA

- Professional Indemnity coverage written for professional services insureds operating in the financial advice sector, specifically financial planners, actuaries, (independent) financial advisers, insurance brokers, and managing general agencies.
- Mandatory use in the commercial Professional Indemnity (PI) market where the insured's primary or majority business interests fall within the sectors above.
- For cases where the insureds operations include the above sectors as a minority of activity the miscellaneous code E9 should be used.
- For risks written via delegated authority the above guidance should be applied to the portfolio as a whole.
- For use on all coverage provided for territories excluding the USA.
- Should cover insurance only.
- Should cover all methods of placement.

Pandemic cover: new risk code One risk code to separate from miscellaneous Contingency

Risk code PA: PANDEMIC COVER FOR EVENT CANCELLATION AND NON-APPEARANCE

- The portion of event cancellation (risk code PC) and/or non-appearance (risk code PN) policies which provides coverage in respect of losses caused by pandemic
- Should cover insurance and reinsurance.
- Should cover all methods of placement.
- Should cover all regions.