LLOYD'S RISK CODES

GUIDANCE AND MAPPINGS

AUGUST 2020

DISCLAIMER

CONTENTS

1 PURPOSE

The purpose of this document is to give guidance to underwriters and Lloyd's brokers on the classification of business into various categories using the Lloyd's risk coding scheme. This document discusses underlying principles of the scheme, matters which apply to its operation in general, and matters which apply to specific classes of business/risk codes.

2 PRINCIPLES OF THE SCHEME

The risk codes scheme provides a common basis for the classification/description of risks so that:

- All underwriters on a particular risk use the same description and
- So far as is practical, risks are described consistently.

The scheme takes account of, and is a balance between, three main but differing requirements:

- Underwriting practice - to accommodate the various bases on which business is written.
- Statutory reporting - which has regard to the underlying insurance risk irrespective of how the business is placed.
- Various Lloyd's requirements for the monitoring of performance and reporting of business to various interested parties including domestic and overseas regulators, capital providers and rating agencies.

The risk coding scheme is not intended as, nor can it be, a substitute for the proper analysis and description of risks according to managing agents' own systems, but rather is to provide a common minimum level of detail which can be supplemented by managing agents' own risk recording systems according to the special circumstances of each syndicate.

Lloyd's may, from time to time, set up new risk codes where there is a sound business case for doing so and in these instances the Lloyd's Market Association (LMA) will be consulted. In addition, underwriters may request new codes. In these circumstances requests must always be made via the LMA and on receiving the Association's support, the LMA will then make an approach to Lloyd's Performance Management Directorate (PMD).

"Performance Management - Supplemental Requirements and Guidance" is intended to assist the market by providing a single point of reference for Lloyd's supplemental performance management requirements on a range of subjects. The document is updated on a regular basis to ensure that the requirements and guidance remain current and relevant. Please refer to these for these for further guidance.

3 OPERATION OF THE SCHEME IN GENERAL

3.1 Responsibility for Coding Risks

It is the responsibility of the leading Lloyd's underwriter on the risk to classify the risk with the appropriate risk code(s). Where a multi-peril policy comprises different sections which are insured separately by different syndicates, the underwriter of the leading syndicate of each section must classify the business for the syndicates in that section.

However, it is also the responsibility of all following underwriters to ensure that the correct code(s) has been allocated. Codes applied by the leading Lloyd's underwriter should not be altered or added to without the leading Lloyd's underwriter's approval. Should a following underwriter wish to amend a risk code, he should refer the matter directly to the leading Lloyd's underwriter. Should there be any doubt as to the correct code or codes to be used, the matter should be referred in the first instance to XIS's Enquire Helpline on 0870 380 0830 (option 2) for assistance. The Class of Business section of Lloyd's PMD or the LMA should also be able to provide guidance.

As has historically been the case, and will continue to be so, the risk code(s) selected by the leading Lloyd's underwriter of a policy or section of a policy must also be used by all following Lloyd's underwriters on that policy or section. XIS has been instructed to reject policies which are processed by them and which have non-uniform risk-coding back to the broker with the instruction that the leading Lloyd's underwriter and the following market discuss the matter further until agreement is reached. In the case of policies not processed by XIS it is the responsibility of following Lloyd's syndicates to ensure that they apply the same risk code as the Lloyd's leader and, if applicable, obtain the leader's agreement to any variation of that risk code.

3.2 Selection of Codes

Some risk codes are very specific, for example HP applicable to UK household insurance, and some broadly generic, for example T applicable to most risks in respect of maritime vessels. All insurance and reinsurances should be coded under the category of business which is most specific and which most appropriately reflects the business being underwritten. If there is no specific classification, the leading underwriter should use best judgement to select the most appropriate code(s).

Risk codes may be specific as to territory, policy form (for example claims made or occurrence) or other criteria. Guidance on applying such criteria is contained in section 4.

Should the contract include other classes of business and/ or cover for more than one territory (where these characteristics are to be distinguished by separate risk codes), underwriters should refer to "Multiple risks" for further guidance (see section 3.4).

Premium relating to business for which specific premium income limits and/or monitoring requirements apply must be split out and allocated to the appropriate risk code, including where written as part of general inwards excess of loss and whole account coverage. The risk codes in question are CF, CR, FG, FM, SB (please refer to section 4.10.2), CY, CZ (please refer to section 4.3.1) and WL.

A number of risk codes differentiate between "including USA" and "excluding USA". Underwriters should refer to "USA/ non-USA designated risk codes" for further guidance (see section 3.5).

In order to assist underwriters, a table is provided to this guidance labelled 'Risk Code Mappings and Full Descriptions' which lists the risk codes with full extended definitions.

3.3 Reinsurance

3.3.1 Inwards Reinsurance

Facultative reinsurance

All facultative reinsurance risks, whether first loss, proportional or excess of loss, should be coded using the same risk code(s) that would apply if the risk were direct.

Proportional reinsurance treaties

There are a number of proportional reinsurance treaty codes available for different risk types and underwriters should use the most appropriate (e.g. TR ("Property Proportional"), HA, CC). Where there is no class specific proportional treaty code, the most appropriate direct risk code should be used

Non-proportional reinsurance treaties

All non-proportional treaties applicable to specific classes of business should be coded with the most appropriate specific inwards excess of loss code listed and should NOT be allocated to one of the specific direct codes. Where there is no specific code listed for the business being protected, underwriters should use the most appropriate non-proportional treaty code. For example, a direct or facultative professional indemnity (re)insurance would carry one of the E2-E9 codes ("Professional Indemnity E&O...") but one of codes XF, XG and XH ("NM Liability Excess of Loss...") should be selected when protecting an insurer's specific book of professional indemnity business on an excess of loss treaty basis. Underwriters should note that the term "excess loss treaty" should apply to all types of non-proportional treaties (i.e. including aggregate excess and stop loss).

Where the reinsurance protects all the writings of an insurer or reinsurer, the appropriate whole account excess of loss (or whole account excess of loss on excess of loss) treaty reinsurance code should be selected, for example, XT ("Marine Whole Account XOL incl War") or X2 ("Marine XOL on XOL incl War"). Underwriters should note that these codes apply to all types of non-proportional whole account treaties, including aggregate excess and stop loss.

XOL on XOL is defined as excess of loss retrocession of excess loss writings of a portfolio and there are several risk codes dedicated to this type of business, for example X1 ("Aviation Excess of Loss on Excess of Loss"), X2 ("Marine XOL on XOL incl War") and X3 ("NM Property XOL on XOL Retrocession").

If contracts include coverage for both XOL on XOL and other reinsurance business, it must be classified XOL on XOL if the XOL on XOL element represents 10 per cent or more of the overall exposure.

In the case of aviation business there is no de minimis provision applicable. If the excess of loss reinsurance excludes XOL on XOL then risk code XY ("Aviation Whole Account XOL incl. War excl XOL on XOL") applies and if XOL on XOL is included then risk code X1 ("Aviation Excess of Loss on Excess of Loss") is to be used irrespective of the amount of XOL on XOL exposure.

3.3.2 Outwards Reinsurance

Risk code SR ("Agg Stop Loss and XOL Marine Outward Whole Account"), is the only risk code intended to apply solely to outwards reinsurance business and should only be used for LORS transactions, i.e. for the coding of outwards reinsurance.

Agents should note that for the purposes of the annual Technical Provisions Data (TPD) return (previously known as Solvency and Reserving Data ("SRD") return), outwards code SR must not be used. In order to calculate net premiums and net claims, syndicates should instead allocate reinsurance purchased and reinsurance recoveries under the risk code(s) used for the direct/ inwards business.

3.4 Multiple Risks

For insurances providing coverage across two or more risk codes (including those denoting both risk and territorial exposure) and in particular large global policies, the leading underwriter should code the predominant parts of the total risk having regard to the overall exposure of risk and the most likely incidence of future claims. The leading underwriter should endeavour to sub-divide the exposure into more than one risk code if the exposure is considered material, and to provide an appropriate division of premium.

In the case of large global policies, the leading underwriter should endeavour to code the predominant parts of the total risk and sub-divide exposures as appropriate, including where risk codes distinguish between territories, with an appropriate division of premium. Underwriters should refer to "USA/ non-USA designated risk codes" for further guidance (see section 3.5).

In the case of certain whole account excess of loss reinsurance contracts, it is recognised that it is not always possible to make an accurate assessment of the division of the business over the various risk classifications, but underwriters are requested to make as accurate an assessment as possible of the principal risk classification exposure(s). This is necessary for (inter alia) the purpose of the returns made to regulatory bodies.

3.5 USA/ Non-USA Designated Risk Codes

Risk codes referring to USA should be applied to risks located/ principally located in the USA and/ or significantly exposed to potential future claims emanating from the USA.

Risk codes referring to "excl USA" should be applied to those risks located/ principally located outside the USA and/or those NOT significantly exposed to potential future claims emanating from the USA.

It is recognised that territorial exposure is defined in a variety of ways according to different classes of business. Nevertheless, the principles of the above guidance should be applied.

Underwriters must continue to have due regard to the US Classification requirements for US regulated business. Lloyd's risk codes must not be the sole consideration when deciding the allocation of the US Classifications for regulatory purposes which must be considered separately. Guidance on US classification requirements are contained in Market Bulletin Y4173.

3.6 Binding Authorities, Covers and Service Companies

As with all business, binding authorities and covers (including master slips) must be referred to the leading underwriter for classification.

With the exception of property binder business falling under risk codes B2, B3, B4 and B5 ("Phys damage binder for ... ppty in ..."), all binding authorities should be allocated to the appropriate risk code applicable to direct business (unless a treaty risk code for that risk is available).

Please note that property treaty, whether pro rata or excess of loss, is not considered to be business falling under risk codes B2, B3, B4 and B5 and should accordingly be allocated to the appropriate risk code for reinsurance business. It is not the intention for property binder codes to be used for large risks usually placed on a subscription basis in the open market or for specialty property risks such as Power Generation and Terrorism.

Where property business (Direct, Fac or Treaty) is written through service companies, the following applies:

- In the case of open market risks (Direct, Fac and Treaty) underwriters should use the same risk codes that would apply if the risks were written directly into the syndicate; ie they should use the 'P' codes for direct and facultative risks and the 'X' codes for treaty.

- In the case of risks written and sub-delegated through a coverholder or delegated authority, risk codes B2-B5 and HP should be used.

- Where the service company assumes risks that were previously written as property binder risks through a coverholder, they should continue to use the property binder risk codes (B2 –B5, HP) providing they do not have the characteristics of open market risks.

From 1st January 2019 this exception also applies to NM GENERAL AND MISC LIABILITY classes as new risk codes has been introduced to separate binder and non-binder business.

Where binders and covers include a mixture of risk categories, underwriters should refer to "Multiple Risks" for further guidance (see section 3.4).

Please see further guidance on property binders in section 4.12.

3.7 Coding of Claims

The risk code allocated to a claim should be the same as that established for the premium relating to the same risk. Where a risk has been allocated to multiple risk codes (see section 3.4), the leading underwriter should select the risk code appropriate to the peril from which the claim results or the territory in which the claim arises as appropriate.

4 GUIDANCE FOR SPECIFIC RISK CODES/ CLASSES OF BUSINESS

4.1 Accident & Health

4.1.1 Personal Accident

Risk code KG is to be used for general Personal Accident and Health only. Risk code KG should continue to exclude non-marine Kidnap and Ransom (K&R), Sports Disabilities (risk code KS), Travel Package Schemes (risk code KT) and Maritime Extortion (risk code KP). Non-marine Kidnap and Ransom (K&R) should be allocated to risk code P (see section 4.9.1).

Risk code KA ("Personal Accident and Health Carve Out") is to be used for the provision of PA Benefits where a pre-determined sum is payable for stated benefits which are also limited by time (e.g. 52 weeks) and are 'carved out' of any legal liability policy. This classification cannot be used for any business which includes any form of legal liability either directly or indirectly where the amount of loss payable may be subject to a court award or negotiated settlement. For such business an appropriate liability risk code should be used.

4.2 Aviation

4.2.1 Airline and General Aviation

"Airline" is defined as:

- Large and/ or high-valued and/ or high impact exposed commercial passenger/cargo carrying airliners/ airline fleets.

"General Aviation" is defined as:

- Any other aircraft including small commercial operations, corporate jets, helicopters and other private aircraft.

Underwriters should note that hull and liability exposures should be coded separately. For AVN52 coverage, risk code L2 or L3 should be used.

4.3 Casualty

Certain liability categories require underwriters to denote whether the wording is on a claims made or other trigger (e.g. NA/ NC and XF/ XG).

Certain liability categories require underwriters to denote whether the risk is in the USA or not in the USA. Additional guidance on this split is provided in section 3.5.

New risk codes introduced for the NM GENERAL AND MISC LIABILITY classes from 1st January 2019 which require underwriters to denote whether the risk is Binder or Non-Binder. As a result the historical risk code descriptions have been amended to exclude binders. Further details contained in Market Bulletin Y5202.

4.3.1 **Cyber**

From 1st January 2015, the CY risk code definition will be amended as follows:

- CY ("Cyber Security Data and Privacy Breach"): 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.

A new risk code, CZ, has been introduced for cyber policies where property damage is covered under the policy. This is defined as follows:

- CZ ("Cyber Security Property Damage"): 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 two codes should be used where underwriters are marketing a specific, stand-alone product to respond to breach of cyber security (i.e. malicious electronic attack). For the purpose of this risk code guidance damage to physical property does not include loss of or damage to data in electronic form. Policies where there is cover provided for losses caused by breaches of cyber security but the predominant exposures arise from non-cyber perils can remain coded in the existing risk codes. Notwithstanding this care should be taken to follow the guidance provided in section 3.4 above on Multiple Risks. This coding relates to both insurance and reinsurance contracts.

NB: Notwithstanding the guidance provided under Market Bulletin Y4842 concerning the use of codes CY and CZ, discrete coding to the relevant portion of exposure and associated claims and premiums should be undertaken where the cyber risk is seen as the predominant peril. The term "Predominant" shall be taken to mean that in assessing the risk of loss the lead underwriter considers that cyber perils exert a superior influence over his estimation compared to other perils. Should the lead underwriter consider cyber to be the "Predominant" peril, separate coding should be applied to support necessary pricing, management and aggregation of such cyber exposures and associated claims experience.

4.3.2 **Directors & Officers**

Risk Codes D2-D5 may be used for Lloyd's Brussels risks, with the appropriate risk code allocation typically made based upon physical location, unless overridden by point 4 below.

Lloyd's Brussels Stamp Required

1) A risk domiciled within the EEA

2) A EEA domiciled risk with a named subsidiary in the US, then the risk is written proportionally split between a syndicate stamp and Lloyd's Brussels stamp

3) For non-EEA risks, any EEA exposure must be written separately with the Lloyd's Brussels stamp either at inception or when exposures are declared or become known

4) Regardless of syndicate stamp or Lloyd's Brussels paper being utilised, guidance for determining the correct allocation of risk codes is typically driven by physical location of insured, however in order to identify any US securities exposure in respect of Directors and Officers Liability, further risk coding consideration must be made in accordance with the following guidance:

<u>Risk Codes **D2 – D5**</u>

For the purposes of determining which of the risk codes D2 to D5 ("D&O Liability") is applicable, risk codes should be based upon whether or not the insured has any shares traded on the New York Stock Exchange, NASDAQ, or any recognised US stock exchange including by way of an ADR programme Level II or III. However, underwriters should always be mindful of the overriding guidance given in Section 3.5 of the guidance in Market Bulletin Y4886 regarding "USA/Non USA" designated codes.

4.3.3 Environmental Impairment Liability or NM Pollution Liability

The definition of Environmental Impairment Liability (EIL) is as follows:

- EP ("Environmental Impairment Liability or NM Pollution Liability"): This provides cover for first party clean-up costs and/or third party liabilities (including associated legal defence costs) resulting from sudden or gradual pollution or environmental damage. Policies written on both a claims made or other trigger (e.g. occurrence) and in any territory should be written in this risk code.

Where pollution liability (on a general liability or standalone pollution/EIL policy) covers gradual pollution, first party clean-up costs or environmental damage then this should be coded as EP. Third party liability for pollution on a 'sudden and accidental', 'named perils' or 'time element' basis should remain coded within the general liability risk codes along with extensions to GL policies to cover statutory liability for clean-up costs under a 'Bartoline' or similar extension.

4.4 Energy

The definition of energy business is as follows:

- "Oil, Gas and Sulphur Exploration, Drilling and Production in the field, including oil, gas and sulphur refining, processing and sale of finished products".

Please note, Energy does not include business otherwise defined as "Operational Power Generation Transmission and Utilities" (please see section 4.11).

4.5 Engineering

4.5.1 Engineering and Contractors All Risks

Risk code CB should be used for covers which have a renewable date. It applies to the following covers:

i) Contractors All Risks (CAR)
ii) Erection All Risks (EAR)
iii) Contractor's Plant and Equipment (CPE)
iv) Machinery Breakdown (MB)
v) Boilers and Machinery (B&M)
vi) Electronic Equipment Insurance (EEI)
vii) Computer All Risks

It also applies to non-proportional reinsurance treaties written on a losses occurring during basis (LOD).

Risk code CC should be used only for those covers which, are single project policies and are non-renewable. CC may cover proportional and non-proportional business written on a risk attaching basis (RAD).

Electrical breakdown insurance on domestic appliances should be coded to Extended Warranty (WA).

Construction of power generating risks including transmission and utilities should not be coded to PG but should be coded within the Engineering property sub-class, until such time as risks are handed over as completed operational risks. During the construction, testing and commissioning phase, they should continue to be coded as CB or CC as appropriate.

4.6 Marine

Please note, for clarification, the changes to the following risk code descriptions:

- B (“Vessels TLO IV LOH and Containers Excl. WRO”)
- T (“Vessels Excl. TLO IV LOH Containers Shipbuilding and WRO”)
- VX (“XOL Cargo Incl. War Excl. WRO”)

4.7 Nuclear

Risk code NP should be used for covers involving the physical property assets and associated Business Interruption risk rising from operational power generation locations involving nuclear reactors. Specifically this will include such exposures written through Nuclear Pools or facultative placements.

Risk code NL should be used for covers involving legal liabilities arising from operational power generation locations involving nuclear reactors. Specifically this will include such liabilities written through Nuclear Pools or facultative placements.

For Nuclear Pool Re, please refer to section 4.14.1.

4.8 Nuclear, Chemical, Biological and Radiological

All coverage for loss caused by NCBR weapons should be separately monitored and controlled and require specific approval in the SBF. Risk codes will vary by class.

4.9 Pecuniary

4.9.1 Miscellaneous Pecuniary Loss

From 1st January 2016, risk code P (“Miscellaneous Pecuniary Loss”) will be amended to cover all miscellaneous pecuniary loss business, including non-marine K&R (formerly included under risk code KG), but excluding Transactional Liability (see section 4.9.3) and Title Insurance (see section 4.9.3) which have been allocated specific new risk codes.

4.9.2 **Maritime Extortion**

Maritime Extortion business (risk code KP) applies to the reimbursement of costs associated with securing the release of marine hull and/or cargo and/or crew following the illegal seizure of a vessel by persons meeting the description of pirates.

With non-marine Kidnap and Ransom business to be coded as P, the KP risk code description is amended from 1st January 2016 to read:

- KP ("Maritime Extortion Excl. Kidnap & Ransom written under P").

4.9.3 **Title Insurance**

From 1st January 2016, a new risk code, TT, will be introduced for Title Insurance (formerly coded under risk code P), defined as follows:

- TT ("Title Insurance"): This provides cover indemnifying the insured against actual loss arising from a legal ownership defect which, together with any legal costs and expenses incurred in defending the title or reaching a settlement, results in either:

    i) Loss of title or usage of land and buildings or their reduction in value
    ii) Loss of mortgage security (or priority for the mortgage) over the land and buildings

NB: Period of coverage is usually limited to a maximum of 7 years, but in certain circumstances Lloyd's may approve a policy period of up to 10 years.

Please note that Lloyd's is seeking to obtain a licence to write Title business in Canada from 1st January 2016, subject to obtaining the appropriate regulatory approval.

4.9.4 **Automotive Product Recall**

For 2021 SBFs and onwards all automotive recall business, some of which has historically been coded under risk codes NC and UC, is to be coded as risk code PB. This is applicable to standalone business only.

4.10 Political Risk and Financial Guarantee

4.10.1 **Political Risk**

Risk code PR ("Political Risk Excl. Confiscation Vessels Aircraft") includes, but is not limited to, land-based confiscation risks, force majeure, contractor's plant and equipment and expropriation of tangible assets by a foreign government.

4.10.2 **Financial Guarantee**

In accordance with Market Bulletin Y5191, Financial Guarantee insurance is defined as contracts of insurance (which includes any indemnity, guarantee, bond, contract of surety or other similar instrument, and references to "insurance" include reinsurance) where the insurer agrees to indemnify the insured against loss or pay or otherwise benefit the insured in the event of any of the following:

- the financial failure, default, insolvency, bankruptcy, liquidation or winding up of any
- person whether or not a party to the contract of insurance
- the financial failure of any venture
- the lack of or insufficient receipts, sales or profits of any venture
- the lack of or inadequate response or support by sponsors or financial supporters
- a change in levels of interest rates
- a change of rates of exchange of currency
- a change in the value or price of land, buildings, securities or commodities
- a change in levels of financial or commodity indices
- any liability or obligation under an accommodation bill or similar instrument.

In addition to risks which are coded as FG, included within Financial Guarantee are the following classes (see Market Bulletin Y5002):

1. Contract Frustration (Risk Code CF)
2. Credit Risk (to be renamed from Trade Credit) (Risk Code CR)
3. Mortgage Indemnity Insurance (Risk Code FM)
4. Surety Bond Reinsurance (Risk Code SB)
5. Salvage Guarantee Insurance (Risk Code FG)
6. Seafarers Abandonment (Risk Code SA)
7. Maritime Liens (Risk Code FG)

The approval of FG Risk codes will follow the considerations and procedures established in the Market Bulletin Y5002.

4.11 Power Generation

Risk code PG covers physical damage and Business Interruption to plant dedicated to the generation and distribution of electricity including risks written as Renewable Energy (coal, gas, hydro, geothermal, wind and or wave power sources).

The PG risk code should be used for all risks whether onshore or offshore which, unless not more specifically dealt with under other Lloyd’s risk codes, involve either:

i) Operational Power Generation
ii) Transmission of power (whether by cable, pipeline or other means)
iii) Power Utilities

Risks which involve cover for onshore production, refinement and processing of oil, gas and sulphur must not be coded to risk code PG, but rather should be correctly coded to that of EF (“Energy Onshore Property”).

Underwriters should note that risk code PG should still be applied for named peril policies.

Risk code PG specifically excludes the construction insurance for power generation risks which should be appropriately coded to either CB or CC until operational and handed over.

Syndicates writing liabilities arising out of power generation should continue to code such liability risks as EA (“Energy Liability Onshore Claims Made”) or EB (“Energy Liability Offshore All Other”) as appropriate.

4.12 Property

4.12.1 Binder and Open Market Coding

Binder risk codes (B2, B3, B4 and B5) should be used for personal lines and/or SME property business. For larger risks typically placed on a subscription basis in the open market, risk codes P2, P3, P4, P5, P6 and P7 should apply. Binder risk codes should not be used for specialist classes such as Terrorism and Power Generation where more specific codes apply.

Please also refer to further generic guidance in section 3.6.

4.12.2 Product Conduct Risk with specific reference to both Binder and Homeowners business

Underwriters are reminded that, due to the nature of the typical customer base, risks written often within such arrangements may well carry an enhanced level of product conduct risk. As such, underwriters should satisfy themselves that the appropriate level of compliance and control is in place to manage correctly clients wants and needs relative to the insurance product and with due consideration to the knowledge of the insurance purchaser.

4.12.3 Binder Business

Risk code B2 should be used where providing cover in respect of physical damage to private property in the US (i.e. Homeowner’s properties such as cabins, houses, apartments, flats or villas, condominium’s, single or multi-family homes, contents within, personal effects such as watches/jewellery or clothing, etc.) located within the USA under a binder or delegated authority arrangement and not subject to a more specific coding.

Risk code B3 should be used where providing cover in respect of physical damage to commercial property in the US (i.e. office, retail shop, industrial or warehousing risks including stock and contents, machinery and plant and the like, etc.) located within the USA under a binder or delegated authority arrangement and not subject to a more specific coding.

Risk code B4 should be used where providing cover as per B2 but outside of the USA.

Risk code B5 should be used where providing cover as per B3 but outside of the USA.

4.12.4 Open Market Business

The terms used in the descriptions of risk codes P2-P7 are defined as follows:

- “Full value” refers to a direct or facultative property risk that provides coverage in one contract for the total sum insured.

- “Primary” refers to a “first loss” insurance or the first layer of a direct or facultative property risk that has been structured on a layered basis, with the upper layer(s) being placed as a separate contract(s) or section of a contract(s).

- “Excess layer” refers to the upper layer(s) of a direct or facultative property risk that has been structured on a layered basis, the primary layer being placed as a separate contract(s) or section of a contract(s).

Underwriters should refer to “USA/non-USA designated codes” (see section 3.5) and to “Multiple Risks” (see section 3.4) for guidance on global and/or package policies.

4.12.5 **Homeowners**

Risk code HP should be used in respect of all United Kingdom Household Business, which for the purpose of this code shall mean such private property used for residential purposes including park homes and static caravans.

Where writing non-UK homeowners property insurance this should be coded to the appropriate risk code depending on whether it is being written in the US or non-US and whether within a binder or as an open market placement.

<u>Apportionment of relevant Flood Re Premiums within covers classified to the HP risk code.</u>

Underwriters are reminded that where domestic UK homeowners insurance is provided, whether through binding authorities, lineslips, or as open market placements, which offer All Risks (or indeed any other section outside risk code HP and not within scope of Flood Re), the leading underwriter should allocate a pre-set percentage to the qualifying portion of the HP premium when calculating Flood Re returns.

Underwriters should ensure that they are able to identify such premium which qualifies for declaration to Flood Re and which premiums and exposures are otherwise exempted from the Flood Re reinsurance arrangement in order to avoid in accurate declarations being made.

4.12.6 **Difference in Conditions**

For use on US and non-US business where either single or multiple insured perils are being provided as a stand-alone insurance policy having been broken out of a larger insurance arrangement.

This code is commonly used where issuing stand-alone policies, which provide cover to otherwise extend that being provided under an original separately issued contract, and which has limited or otherwise excluded the peril or operative contingency.

Typical examples where this code may be used would include but not be limited to:

- Provision of stand-alone USA Earthquake where excluded from original insurance placement or local market insurance program

- Provision of Flood Insurance as an alternative to that provided under the US National Flood Insurance Programme (NFIP).

It is recognised that due to legislative changes applying to the way in which the NFIP operates that an increasing number of syndicates are exploring opportunities to offer competing propositions to the national scheme. Where such covers are written, underwriters should consider carefully any wording being used to ensure that it remains complaint to the guidelines for Lloyd's wordings in terms of exclusions and if necessary, the appropriate sign off obtained from Lloyd's.

DC should also be used where underwriters are providing a specific difference in conditions policy.

4.12.7 **Extended Warranty**

Risk code WA provides cover for any form of extended warranty. This includes any type of service contract or guarantee that offers coverage for accidental damage and repair costs after the manufacturer's or retailer's guarantee has expired. These covers may also be referred to as mechanical breakdown insurance.

NB: The market is reminded that any managing agents writing Canadian Product, home or equipment warranty business are required to advise Lloyd's directly in order for Lloyd's to meet its regulatory reporting requirements. For more information please contact LITA@lloyds.com or Tel. 0207 327 6677.

Latent Defects

Latent defects insurance also sometimes known as inherent defects insurance and/or decennial insurance provides cover for owners of properties (both commercial and residential) against damage caused by a defect in the design, workmanship or materials not discovered before the cover commences. Any Latent defects business written from the 2016 year of account onwards should be coded to WA.

4.12.8 **Property Catastrophe Excess of Loss**

The Property Whole Account Excess of Loss risk codes, XA, XJ, XU and XR should be used to denote where the underlying exposures are located. In the case of global treaties, the leading underwriter should endeavour to sub-divide the exposures between the new risk codes with an appropriate division of premium. Where a slip contains more than one risk code, any reinstatement premium payable should be allocated to the same code to which the claim applies.

Underwriters should refer to "Multiple Risks" (see section 3.4) and "USA/non-USA designated codes" (see section 3.5) for guidance on global policies.

The table provides a list all territories that fall under risk code XU.

Åland Islands	Faroe Islands	Latvia	San Marino
Albania	Finland	Liechtenstein	Serbia
Andorra	France	Lithuania	Slovakia
Austria	Germany	Luxembourg	Slovenia
Belarus	Gibraltar	Macedonia	Spain
Belgium	Greece	Malta	Svalbard and Jan Mayen Islands
Bosnia and Herzegovina	Guernsey	Monaco	Sweden
Bulgaria	Holy See	Netherlands	Switzerland

	(Vatican City State)		
Channel Islands	Hungary	Norway	Turkey
Croatia	Iceland	Poland	UK
Cyprus	Ireland	Portugal	Ukraine
Czech Republic	Isle of Man	Republic of Moldova	
Denmark	Italy	Romania	
Estonia	Jersey	Russian Federation	

4.12.9 Agriculture

Risk code HA provides cover for crop and forestry risks written on a direct or facultative or proportional treaty basis.

Risk code AG is to be used for crop and forestry risks written on a stop loss or excess of loss treaty basis. Aquaculture is to be written as Livestock (risk code N).

4.12.10 Livestock and Bloodstock

Risk code NB should be used for any cover relating to any equine animals irrespective of whether these are thoroughbred or not. For the avoidance of doubt, this risk code should be used therefore for any equine animals involved in activities such as but not limited to Eventing, Pony Clubs, Dressage, Hunting and the like.

Risk code N should be used for covers which involve any risks classified as Livestock, which shall be deemed to mean:

i) Any non-equine animals including exotic animal (e.g. Emu/Lama/Worm/Insect or Grub/etc.)
ii) Domesticated animals raised in an agricultural setting to produce commodities such as food, fibre, genetic materials or labour (e.g. Sheep, Cow, Pig, Poultry, etc.)
iii) Aquaculture (e.g. Fish Farming and the like)

Risk code NX should be used for covers involving Excess of Loss (including treaty) applying to Livestock and Bloodstock, as more fully described and defined under Lloyd’s risk codes NB and N above.

4.13 Term Life

4.13.1 Temporary Life and Permanent Health

Health insurance that provides benefits for persons being incapacitated in consequence of sustaining injury as a result of an accident or of sickness or infirmity for a period of five years or greater or until normal retirement age of the insured person or without limit of time must be coded as TL and may only be written by Term Life syndicates.

4.14 Terrorism

4.14.1 Specific Requirements – United Kingdom

Risk code BD ("Terrorism Pool Re and Nuclear Pool Re") must be used for any business which involves UK Terrorism written by syndicates participating in Pool Re.

Risks within Great Britain that are deemed to be nuclear sites are excluded from the standard Pool Re arrangement. To facilitate cover for such locations, a sister pool facility was created that would manage such exposures and have its own membership and market retention.

Due to the limited total exposure to the Nuclear Pool in the UK, such risks where providing terrorism cover should continue to utilise risk code BD.

Risk code TU ("UK Stand-alone Terrorism which is non Pool Re") must be used where non-participating syndicates wish to write UK Terrorism either as a stand-alone peril or if it is being covered in conjunction with other perils.

4.14.2 Specific Requirements outside of the United Kingdom

In January 2003, 12 new terrorism risk codes were introduced. Whilst this was prompted by legislation in the US, these new codes are intended for use with business anywhere in the world where terrorism coverage is being provided in response to legislative requirements. For example, such legislative requirements are in place in Australia and France.

To date, inward reinsurance has not been included in the scope of any terrorism specific legislation. At the present, the terrorism codes, should not, therefore, be used on reinsurance business. If such reinsurance is on an excess of loss treaty basis then the new 2013 risk code TW should be used.

An "overseas legislation" terrorism risk code must not be used alone, but in conjunction with an appropriate non-terrorism risk code. Where more than one code is used on the applicable policy, it will be necessary to select more than one new terrorism code unless all the original codes map to a single new terrorism code.

For Australian and French business to which, respectively, the ATIA and GAREAT regimes apply, the "overseas legislation" terrorism risk codes must be used on all applicable business, i.e. irrespective of whether or not the syndicate has opted into the reinsurance arrangements set up under these regimes. In the US, this consideration does not arise because no insurer to which TRIA applies is permitted to opt out and the relevant terrorism codes must therefore be used on all applicable business.

NB: the detailed application of the terrorism codes differs according to which overseas legislation applies to the business in question. Detailed risk code specific guidance has therefore been provided to the market in a number of market bulletins, as follows:

US TRIA/TRIEA/TRIPRA

The risk codes reflect the existing Lloyd's US Lines of Business and FSA Accounting Classes, and should enable syndicates to track terrorism premiums through their accounting systems and help syndicates to monitor terrorism exposure in their underwriting portfolios.

The risk codes and their descriptions are as follows. Please note that all energy business should be processed using the 4 energy-specific codes listed below:

Risk Code	**Definition** Overseas Terrorism business written as a result of a legislative requirement made by a non-UK government to provide terrorism cover…	
1T	"	Accident & Health
2T	"	Aviation
3T	"	Marine
4T	"	Miscellaneous & Pecuniary Loss
5T	"	Motor
6T	"	Property
7T	"	Third Party Liability
8T	"	Transport
1E	"	Energy Offshore Property Damage
2E	"	Energy Offshore Liability
3E	"	Energy Onshore Property Damage
4E	"	Energy Onshore Liability

The 12 Terrorism codes must not be used on US reinsurance business including the reinsurance of TRIA business. Such business should continue to be coded with an appropriate existing set of risk codes.

In order to enable these risk codes to be used to report business written in other jurisdictions if requirements arise in the future, the above definitions do not make reference to TRIA. Identification of jurisdictions will be achieved via FIL coding. Thus, a policy coded 3T which has a USA FIL code would be deemed to be a marine terrorism risk falling within the scope of TRIA (a list of FIL codes denoting US exposure is included for information at Annexe 1 to bulletin Y3014 below). *NB: The TRIA codes should therefore only be used for terrorism business which is written as a result of legislative requirements.*

For further guidance, please refer to Market Bulletin Y3014 of 17th March 2003.

Australia – ATIA

Market Bulletin Y3126 – "Use of Risk Codes" of 28th August 2003:

NB: the first part of Section 4.5 of Y3126 was included in error. ATIA applies only to policies which exclude terrorism. Given that policies which expressly cover terrorism do not contain such exclusions, they will not fall within ATIA and should not, therefore be processed using the new terrorism codes. The second part of Section 4.5, commencing "Please note…" is correct

Premium Apportionment Across Codes: Section 2 and Appendix 1 of Y3210 of 15th December 2003:

France – GAREAT

The requirement to use the new terrorism risk codes also applies to GAREAT business, and was established by Section 5.2 of Market Bulletin Y3014, which states that:

"The 12 terrorism risk codes must be used for French GAREAT risks incepting on or after 1st July 2003. They are mandatory for use in relation to this business. Slips must make clear the nature of the coverage being supplied and show the geographical exposure as "France". This coding approach is necessary so that Lloyd's has the ability to analyse in detail the business written under the new risk codes for RBS and risk management purposes."

4.14.3 Overseas Territories in General

Risk which cover the peril of non-marine physical damage caused by terrorist acts to assets located in overseas territories other than those listed above should be coded using the Lloyd's risk code TO (Overseas Stand Alone Terrorism Excluding "1T" to "8T" and "1E" to "4E") unless they are written on an excess of loss treaty basis, in which case they should be coded to Lloyds risk code TW.

Risk code TO must be used both where this peril is the only one being covered and where this perils is covered in conjunction with other perils, in which case the terrorism portion must be split out and coded accordingly.

The risk code must not be used to denote terrorism coverage which is provided as a result of overseas legislative requirements, as mores specific risk codes exist for this purpose (1T to 8T) as detailed under Lloyd's Bulletin Y2968 and as applying to the various classes of business.

4.15 Third Party Reinsurance to Close (RITC)

Risk code TC ("Commercial RITC") must be used for Third Party Reinsurance to Close business. Whilst the introduction of this code avoids the need to allocate RITC premium to individual codes when signing through XIS, XIS will be unable to breakdown this business. As a result, in order for Lloyd's to collect information for regulatory reporting purposes, managing agents will need to maintain details by risk code, currency and originating year of account for risks being reinsured.