

Market Reform Contract (Open Market) Implementation Guide

Version 1.2
August 2008

MARKET REFORM



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1 Document Revision/Change History

Version	Date	Description of Change
1.0	June 2007	Standard renamed as the Market Reform Contract in recognition of the changes applied at 1 July 2007 whereby the placing document often forms the final contract documentation.
1.1	June 2007	Amended (Re)insurer's liability clause (LMA3333) incorporated.
1.2	August 2008	Guidance updated in response to queries raised and errors reported – but with NO changes in headings, or any significant changes in usage: <ul style="list-style-type: none">• New document style adopted• Content has been edited to aid clarity• The use of an optional MRC (Lineslip Declarations) standard is referenced.• MRC example updated• Inconsistencies between Usage of Headings (Section 6) & Data Dictionary resolved.• New version (1.2) of Data Dictionary published containing enhanced guidance regarding the completion of EXPRESS WARRANTIES and CONDITIONS PRECEDENT• Clarification of how US Surplus Lines notices should be reflected within Risk Details.• Guidance regarding contract change documentation added within INSURER CONTRACT DOCUMENTATION• Guidance for Fiscal and Regulatory section significantly enhanced• The FSA Client Classification code list has been amended in line with current FSA publications.• N.B. In addition to the “clean” version a marked-up version, with the significant changes from v 1.1 highlighted, is available at www.marketreform.co.uk

2 Introduction

2.1 Purpose of the Guide

To define the Market Reform Contract (MRC) standard, including:-

- the layout and content of a standard form; and
- the mapping of MRC content to the ACORD Reinsurance & Large Commercial (RLC) “Placement” XML message (see “Market Reform Contract Data Dictionary Version 1.2 (August 2008)” at <http://www.marketreform.co.uk>). See www.acord.org for further details.

2.2 Background

Standards for placing documents are agreed with Market Associations and Lloyd’s and published on behalf of the Market Reform Group (MRG).

This guide should be read in conjunction with the Contract Certainty Code of Practice (June 2007) - (see <http://www.marketreform.co.uk>).

2.3 Franchise Board Mandate

The current Franchise Board mandate is documented in the Lloyd’s Underwriting Requirements document and applies to the use of the Market Reform Contract.

3 Business Objectives and Expected Benefits

3.1 Scope

The MRC (Open Market) became the London Market standard on 1 November 2007 and should be used for the following:-

- All firm quote and firm order open market insurance and reinsurance business placed by London Market brokers.
- All Marine open cargo covers and declarations attaching thereto. Marine open cargo covers are defined as those risks where the insured has, or is expected to acquire, an insurable interest in each declaration bound.
- Declarations or off-slips attaching to line-slips, where the use of MRC (Lineslip Declarations) is not appropriate.
- Applicable declarations off limited binding authority agreements, where the coverholder, broker and insurers agree that it is appropriate.

This standard is compatible with the ACORD Global Placing Document (GPD) and may be used for placements in other markets.

Contracts relating to motor business, personal lines business or term life insurance business which will not be processed by LPSO Limited, are excluded from the scope of this guidance.

The MRC (Open Market) should not be used for Binding Authority Agreements or Line-slips, as these have separate guidelines (Refer to <http://www.marketreform.co.uk>).

Contracts that fall within the “Market Reform Exempt – Client Requirement” category (i.e. the client has expressed a preference to use a London placing document in a different format) do not need to conform with these guidelines, although it would be preferable if they did so as far as possible. Whether the placing submission is in MRC format, or is exempt by client requirement, the placing document must comply fully with the Contract Certainty Code of Practice (June 2007).

The terms insurance, insurer and insured, used throughout this document, apply equally to reinsurance, reinsured, and reinsurer.

3.2 Benefits

A standard layout:

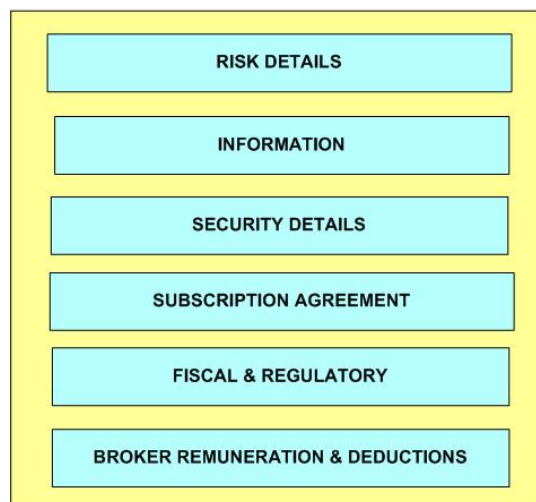
- makes it easier for insurers to assimilate the information;
- makes subsequent processes more efficient (e.g. creation of an evidence of cover); and
- promotes compatibility of information which will enable mapping to the ACORD Reinsurance & Large Commercial (RLC) “Placement” XML message (see “Market Reform Contract Data Dictionary Version 1.2 (August 2008) –” at www.marketreform.co.uk).

4 Market Reform Contract (MRC) Layout

4.1 Document Sections, Order and use of Headings

The MRC is made up of six sections:

MARKET REFORM CONTRACT STRUCTURE



- **Risk Details;** details of the risk/contract involved, such as insured, type, coverage, conditions, etc.
- **Information;** free text additional information.
- **Security Details;** includes (Re)insurers' Liability; Order Hereon; Basis of Written Lines; Basis of Signed Lines, Signing Provisions, insurers' "stamp" details. These indicate each insurer's share of the risk and their reference(s).
- **Subscription Agreement;** This establishes the rules to be followed for processing and administration of post-placement amendments and transactions.
- **Fiscal and Regulatory;** Fiscal and Regulatory issues specific to the insurers involved in the risk.
- **Broker Remuneration & Deductions;** information relating to brokerage, fees and deductions from premium.

Order of the contract sections and headings:

- A coversheet may be used by the broker to identify the contract.
- The contract sections may be presented in any order, although the order shown within this guidance is recommended.
- The order of headings in the Risk Details section of the contract is not fixed.
- The order of headings in other contract sections should follow that in these guidelines.

Additional or renamed headings:

- Some contracts will be based on policy forms that do not use the standard headings. As an example, the policy form could include a heading called Name of Client rather than Insured. In these instances, the term used in the policy form should also be used in the contract in order to aid clarity.
- Additional contract specific headings may need to be incorporated into the Risk Details section to allow for any unusual or additional data, as necessary.

4.2 Layout of Document

Left and right hand side of the document

The Market Reform Contract is formatted in two columns. On the left, headings are printed; on the right, the data itself is printed. For example:-

TYPE	Non-marine Proportional Treaty reinsurance
REINSURED AND LOCATION	XYZ Reinsurance Company, New York
PERIOD	Effective from: 1 January 2008 at 12:01 am Eastern Standard Time. To: 1 January 2009 at 12:01 am Eastern Standard Time.
SUM REINSURED	USD 1,000,000 any one loss excess USD 1,000,000 any one loss
Etc...	

Size of document / items within the document

The size of the document will vary, depending on the amount of data that needs to be provided. Unless specified, there is no fixed size for each item, each can expand or reduce depending on the amount of detail that needs to be given for the item concerned.

4.3 General Guidance

- Where monetary amounts are stated within the contract the currency must be clearly and unambiguously identified e.g, by using the relevant three letter ISO currency code USD.
- Currency symbols such as £ or \$ should be avoided, wherever possible. However, where their use is unavoidable (e.g. where they form part of a policy schedule), a clear statement of their intent (e.g. "Where the symbol \$ is used in this contract it refers to US Dollars (USD)") should be used.
- A contract must not include any terms which are unspecific or create ambiguities, for example any "TBA"s (To Be Agreed / Advised).

- During placing the broker and insurers must ensure that the contract clearly states all the contract terms; references or attaches all standard or registered wordings and clauses where used; and attaches all bespoke and non-standard wordings and clauses in full.
- Insurance laws may require the attachment of a notice to a contract after it has been agreed by the insurer and before it is provided to the insured. An example is the legal requirement for US surplus lines brokers to attach notices in state-prescribed forms to surplus lines contracts. The contract does not have to include such notices at placing, but should contain a reference to the need to attach such notices. Further guidance is provided in appendix A.
- Note - National Laws do not need to be attached in full, as they are in common usage and freely available to all interested parties (e.g. Marine Insurance Act 1906; German General Rules of Marine Insurance; etc).
- A contract can include subjectivities but if any may be outstanding at inception they must be expressed as unambiguous conditions and must specify the responsibilities and timescales for resolution and the consequences of failure to do so. Subjectivities should be imposed within the contract under the Subjectivities heading in the Risk Details section, or within Conditions (e.g. where the Subjectivity relates to an existing Condition). They must not be recorded against insurers' lines in the Security Details section.
- Standard contract provisions must be relevant to the risk or the administration of that risk.

4.4 Detailed MRC Documentation

The appendices to this document provide a more detailed guide to the completion of each contract section. For each section the following information is provided:

- General guidance – a description of the use of the section
- Guidance on specific fields – where relevant, a detailed description of the use of a specific heading.

Detailed guidance is not provided within these appendices for every field, only for those that particularly require explanation. For a description of the usage of every individual heading within the MRC, see the separate document, "Market Reform Contract Version 1.2 (August 2008) – Data Dictionary".

4.5 Further Information

For further information on the Market Reform Contract please contact:

Type of Query	Contact	Address
Brokers	Chris Buer – LMBC Tel: 020 7397 0213 Email: chris.buer@lmbc.co.uk	BIBA House 14 Bevis Marks LONDON
Lloyd's Insurers	Peter Martin or Neil Roberts - LMA Tel: 020 7327 3333 Email: peter.martin@lmalloyds.com Neil.roberts@lmalloyds.com	Gallery 3 Lloyd's 1 Lime Street LONDON
IUA Insurers	John Hobbs – IUA Tel: 020 7617 4445 Email: john.hobbs@iua.co.uk	Suite LG1 LUC 3 Minster Court LONDON
General Queries	Market Reform Office Tel: 020 7327 5220 Email: mro@marketreform.co.uk	Room 447 Lloyd's 1 Lime Street LONDON

5 MRC Example

The following pages show an **example** of the content of an MRC compliant placing document. The example is provided for a US Non-Marine Property risk and illustrates what a compliant placing document could look like, but the specific content will vary by territory and class of business.

Items in italics are for information only and should not be shown in a real contract

THE CONTRACT DOCUMENT

(A front page or wrapper may be added by the broker. Irrespective of whether such a page is used, this page below will always be page one of the contract)

Risk Details:

UNIQUE MARKET

REFERENCE : B0999ABC123456789

TYPE: All Risks of Direct Physical Loss or Damage including Boiler Explosion and Machinery Breakdown insurance.

INSURED: XXXX American Inc. and (1) any subsidiary, allied or affiliated corporation, person, co-partnership or organization engaged in the conduct of XXXX American Inc. including partners, officers, directors, employees or agents of any of those organizations as is now or may hereafter be constituted; (2) any other interest to the extent that the Insured has agreed to keep such interest insured while acting in their capacities as such.

XXXX American Inc. shall be deemed the sole agent of each and every Named Insured for the purposes of (a) giving notice of cancellation, either by Insurers or by the Named Insured; (b) giving instructions for change in this policy and accepting changes in this policy and (c) the payment of premiums or receipts of return premiums.

ADDRESS: Number 1, Big Boulevard, Olympia, Washington (WA) 99999, USA

PERIOD: Effective from: 1 January 2009 at 12:01pm Pacific Standard Time
To: 1 January 2010 at 12:01pm Pacific Standard Time

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INTEREST: Real and Personal Property at the address of the insured, including the additional coverages defined below:

Personal Property of the Insured's Officials and Employees while on the Premises of the Insured
Improvements and Betterments
Business Interruption (Net Profits and / or Fixed Charges)
Ordinary Payroll
Rental Value / Rental Income
Electronic Data Processing Equipment and Machinery
and as fully defined in the contract wording and clauses referenced herein.

LIMITS: USD 10,000,000 any one occurrence and in the annual aggregate in respect of Flood and Earthquake separately.
Program Sublimits schedule:

Earthquake: USD 2,000,000
any one occurrence and in the annual aggregate

Flood: USD 2,000,000
any one occurrence and in the annual aggregate

Boiler & Machinery: USD 2, 000,000
any one accident

Program Deductibles schedule:

Each claim for loss or damage shall be subject to a combined Property Damage and Time Element deductible as follows:

Earthquake / Windstorm / Flood: USD 2,000

All other perils except for the above: USD 1,000

INSURED'S RETENTION: 20% of 100%.

TERRITORIAL LIMITS: Anywhere within the United States of America

CONDITIONS: *(Any bespoke wording or clauses will form part of this section, whereas model or registered wordings or clauses can be referred to by reference as per the following example)*

XYZ Insurer - Primary Property wording CPR0P192 - dated January 2005
NMA 2914 (Amended Perils) Electronic Data Endorsement A (Section two sub-limit USD 100,000,000).
LMA 5019 Asbestos Endorsement

NMA 2962 Biological or Chemical Materials Exclusion

NMA 1168 Small Additional or Return Premium Clause (U.S.A)

LOSS PAYEE: XXXX Inc. Number 2 Boulevard, Olympia, Washington (WA) 99999, USA

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SUBJECTIVITIES:

The Insured shall provide to the Insurer a property survey report on the insured address such report to be prepared by MNO Surveyors ("the Survey"). The Survey shall be so provided by 12:01p.m. Pacific Standard Time on 31 January 2009 ("the Survey Deadline").

Between inception and the Survey Deadline, cover is provided by the Insurer on the terms and conditions specified in the contract to which this condition is attached ("the Contract Terms").

Where the Survey is not submitted to the Insurer by the Survey Deadline, cover shall terminate at the Survey Deadline.

Where the Survey is submitted to the Insurer by the Survey Deadline, cover shall continue from the Survey Deadline on the Contract Terms until expiry of the period of the contract unless and until terminated in accordance with the following paragraph.

In the event that the Survey is unsatisfactory to the Insurer, the Insurer shall have the right, within 14 days of its receipt, to terminate the contract by serving not less than 14 days notice in writing to the Insured at its address shown in the contract, such notice expiring no earlier than the Survey Deadline.

In the event of termination under this survey condition, the Insured shall be entitled to pro rata return of premium for the unexpired period of the contract unless a loss has arisen for which the Insured seeks indemnity under this contract in which case the Insurers shall remain entitled to the premium specified in the Contract Terms.

To the extent that this survey condition conflicts with any other cancellation, notice and premium provision in the Contract Terms, this survey condition shall prevail.

**CHOICE OF
LAW AND
JURISDICTION:**

This insurance shall be governed by and construed in accordance with the Revised Code of Washington (RCW). Each party agrees to submit to the exclusive jurisdiction of any competent court within the United States of America.

NMA 1998 (24/04/86) Service of Suit Clause:
A.N.O. Attorneys (or their Nominees)
211 Main St
Olympia
Washington (WA) 99999, USA

PREMIUM: USD 100,000 (100%) Annual
Plus:
USD 5,000 (100%) Annual in respect of TRIA
Plus:
USD 1,000 (100%) Annual in respect of Non-Certified Terrorism

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PREMIUM

PAYMENT TERMS: 60 Day Payment condition – LSW 3000

**TAXES PAYABLE
BY INSURED AND
ADMINISTERED**

BY INSURERS: None applicable

**RECORDING,
TRANSMITTING &
STORING**

INFORMATION: Where Broker XYZ maintains risk and claim data/information/documents
Broker XYZ may hold data/information/documents electronically.

**INSURER
CONTRACT**

DOCUMENTATION: *(An insurer may specify here any insurer contract documentation requirements that apply to them. e.g. need for a policy, or policy endorsements, including the policy form to be used.)*

This document details the contract terms entered into by the insurer(s), and constitutes the contract document.

This contract is subject to US state surplus lines requirements. It is the responsibility of the surplus lines broker to affix a surplus lines notice to the contract document before it is provided to the insured. In the event that the surplus lines notice is not affixed to the contract document the insured should contact the surplus lines broker.

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Information Section:

The following Information was provided to insurer(s) to support the assessment of the risk at the time of underwriting.

Client submission dated November 2008 prepared by Producer Inc and seen by all participants hereon and held on file by Broker XYZ Ltd

No losses past five years

EFG Burglar alarm system installed at all locations

ABC Sprinkler system installed at Olympia, Washington (WA) 99999 location

Security Details

INSURER'S *(This clause LMA3333 should be provided in full and not simply referenced.)*
LIABILITY:

LMA3333

(Re)insurer's liability several not joint

The liability of a (re)insurer under this contract is several and not joint with other (re)insurers party to this contract. A (re)insurer is liable only for the proportion of liability it has underwritten. A (re)insurer is not jointly liable for the proportion of liability underwritten by any other (re)insurer. Nor is a (re)insurer otherwise responsible for any liability of any other (re)insurer that may underwrite this contract.

The proportion of liability under this contract underwritten by a (re)insurer (or, in the case of a Lloyd's syndicate, the total of the proportions underwritten by all the members of the syndicate taken together) is shown next to its stamp. This is subject always to the provision concerning "signing" below.

In the case of a Lloyd's syndicate, each member of the syndicate (rather than the syndicate itself) is a (re)insurer. Each member has underwritten a proportion of the total shown for the syndicate (that total itself being the total of the proportions underwritten by all the members of the syndicate taken together). The liability of each member of the syndicate is several and not joint with other members. A member is liable only for that member's proportion. A member is not jointly liable for any other member's proportion. Nor is any member otherwise responsible for any liability of any other (re)insurer that may underwrite this contract. The business address of each member is Lloyd's, One Lime Street, London EC3M 7HA. The identity of each member of a Lloyd's syndicate and their respective proportion may be obtained by writing to Market Services, Lloyd's, at the above address.

Proportion of liability

Unless there is "signing" (see below), the proportion of liability under this contract underwritten by each (re)insurer (or, in the case of a Lloyd's syndicate, the total of the proportions underwritten by all the members of the syndicate taken together) is shown next to its stamp and is referred to as its "written line".

Where this contract permits, written lines, or certain written lines, may be adjusted (“signed”). In that case a schedule is to be appended to this contract to show the definitive proportion of liability under this contract underwritten by each (re)insurer (or, in the case of a Lloyd’s syndicate, the total of the proportions underwritten by all the members of the syndicate taken together). A definitive proportion (or, in the case of a Lloyd’s syndicate, the total of the proportions underwritten by all the members of a Lloyd’s syndicate taken together) is referred to as a “signed line”. The signed lines shown in the schedule will prevail over the written lines unless a proven error in calculation has occurred.

Although reference is made at various points in this clause to “this contract” in the singular, where the circumstances so require this should be read as a reference to contracts in the plural.

ORDER HEREON: 80% of 100%

BASIS OF WRITTEN LINES: Percentage of whole.

Lines Clause NMA2419.

SIGNING PROVISIONS:

In the event that the written lines hereon exceed 100% of the order, any lines written “to stand” will be allocated in full and all other lines will be signed down in equal proportions so that the aggregate signed lines are equal to 100% of the order without further agreement of any of the insurers.

However:

- a) in the event that the placement of the order is not completed by the commencement date of the period of insurance then all lines written by that date will be signed in full;
- b) the signed lines resulting from the application of the above provisions can be varied, before or after the commencement date of the period of insurance, by the documented agreement of the insured and all insurers whose lines are to be varied. The variation to the contracts will take effect only when all such insurers have agreed, with the resulting variation in signed lines commencing from the date set out in that agreement.

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**WRITTEN
LINES:**

Each insurer enters their written line here (with continuation pages as necessary)

(Optionally, page numbering of the contract document may cease at the end of the Security Details section where this is preceded by the Risk Details & Information sections i.e. a new numbering sequence may be used in the remainder of the document; incorporating the Subscription Agreement, Fiscal & Regulatory & Broker Remuneration & Deductions sections. It is also optional for the broker to insert a divider at this point.)

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Contract Administration and Advisory Sections:

(The above is an optional heading.)

Subscription Agreement Section

SLIP LEADER: ABC Insurer
(The heading name of Slip Leader, rather than Contract Leader, has been retained in order to maintain consistency with the GUA and other publications).

BASIS OF AGREEMENT TO CONTRACT CHANGES: GUA (October 2001) with Non-Marine Schedule (October 2001)

OTHER AGREEMENT PARTIES FOR CONTRACT CHANGES, FOR PART 2 GUA CHANGES ONLY: Slip leader only to agree part two changes.

AGREEMENT PARTIES FOR CONTRACT CHANGES, FOR THEIR PROPORTION ONLY: DEF Company Ltd to agree all contract changes.

BASIS OF CLAIMS AGREEMENT: Claims to be managed in accordance with the Lloyd's 2006 Claims Scheme and IUA claims agreement practices. All Non-Bureaux insurers to agree claims each for their own proportion only.

CLAIMS AGREEMENT PARTIES: Slip Leader, plus DEF company and Xchanging Claims Services.

CLAIMS ADMINISTRATION: Broker XYZ and insurers agree that any claims hereunder (including any claims related costs/fees) will be notified and administered via ECF with any payment(s) processed via CLASS, unless both parties agree to do otherwise.

RULES AND EXTENT OF ANY OTHER DELEGATED CLAIMS AUTHORITY: None, unless otherwise specified here by any of the **claims** agreement parties shown above.

EXPERT(S) FEES COLLECTION: Broker XYZ Ltd to collect fees.

**SETTLEMENT
DUE DATE:**

1st April 2009.

**BUREAU
ARRANGEMENTS:**

(e.g. A contract checking service from XIS may be referenced here)

**NON-BUREAU
ARRANGEMENTS:**

(e.g. A contract checking service from another provider may be referenced here)

Fiscal and Regulatory Section

**TAX PAYABLE BY
INSURER(S):**

None applicable

COUNTRY OF ORIGIN: United States of America

OVERSEAS BROKER: Broker XYZ, Downtown, Olympia, Washington (WA) 88888, USA

**SURPLUS LINES
BROKER:**

Broker XYZ, Downtown, Olympia, Washington (WA) 88888, USA
Surplus Lines Number: 1234567

STATE OF FILING: Washington (WA)

US CLASSIFICATION: US Surplus Lines

**ALLOCATION OF
PREMIUM TO CODING:**

(Enter Risk Code(s) and any allocation.)

P2 (100%) US primary

6T (100%) TRIA

TO (100%) Non-Certified Terrorism

**FSA CLIENT
CLASSIFICATION:**

Large Risk

Broker Remuneration & Deductions Section

**FEE PAYABLE
BY CLIENT?:**

No

TOTAL BROKERAGE:

Z%

**OTHER
DEDUCTIONS
FROM PREMIUM:**

5% Survey fee payable to XYZ Inc

6 Risk Details – Usage of Headings

This table outlines all of the headings typically used within the Risk Details section and defines which are expected to be present for each type of business. For the other sections of the contract the usage of the headings does not vary by class of business. The descriptions are:

- **Mandatory** – must be present.
- **Conditional** – this heading (or a variation) is required in specific circumstances.
- **Optional** – this heading (or a variation) is optional.

Headings for which name variations are known are shown with an asterisk. Where applicable these are shown in “Market Reform Contract Data Dictionary Version 1.2 (August 2008)”.

HEADING	Direct and Facultative Reinsurance	XL Treaty	Proportional Treaty
UMR	Mandatory		
Attaching to delegated underwriting contract number	Conditional, required for declarations & off-slips	N/A	N/A
Type	Mandatory		
* Proposal Form	Conditional, necessary for some classes of business	N/A	N/A
* Insured	Conditional, required for insurance	N/A	N/A
* Original insured	Conditional, required for facultative R/I	N/A	N/A
Retrocedent	Conditional, required for retrocession		
* Original reinsured	Conditional, required for retrocession		
* Reinsured	Conditional, required for reinsurance		
* Principal address	Conditional, required for some classes		
* Period	Mandatory		
Original policy period	Conditional, required for facultative R/I	N/A	N/A
* Conveyance	Conditional, required for specific classes		
* Vessels	Conditional, relevant to Marine	N/A	N/A
* Interest	Mandatory		
Additional Coverages	Optional		
* Limit of Liability	Mandatory		
Aggregate limit	Conditional, required for specific classes		
* Underlying limits	Conditional, required for specific classes		
Excess	Conditional, required for specific classes		

HEADING	Direct and Facultative Reinsurance	XL Treaty	Proportional Treaty
* Sublimits	Conditional, required for specific classes		
* Deductibles	Conditional, required where applicable		
* Reinsured's retention	Conditional, relevant to reinsurance		
Reinstatement provisions	Optional		
Indemnity period	Conditional, required for specific classes		
Exclusions	Optional		
* Situation	Mandatory		
* Basis of valuation	Conditional, where applicable		
* Conditions	Mandatory		
Original conditions	Conditional, relevant to reinsurance		
Loss payee	Optional		
* Co-reinsurance warranty	Optional, applicable to reinsurance		
Notices	Conditional, required where applicable		
Express warranties	Conditional, required where applicable		
Conditions precedent	Conditional, required where applicable		
Subjectivities	Optional		
Choice of law & jurisdiction	Mandatory		
Arbitration	Conditional, required for some jurisdictions		
* Premium	Mandatory		
Premium transfer	Optional		
Premium payment terms	Mandatory		
Bordereaux	Optional		
* Commission	Optional		
* Estimated premium income	Optional		
Taxes payable by the insured and administered by insurer(s)	Mandatory		
Profit commission	Conditional, required where applicable		
Recording, transmitting & storing information	Optional		
Insurer contract documentation	Mandatory		
Form	Conditional, required where policy is required and form not specified under the Insurer Contract Documentation heading.		
Slip Policy notice	Conditional, required only if an IUA Slip Policy is to be used and this has not already been specified under the Insurer Contract Documentation heading.		
* Premium reserve & interest	N/A	N/A	Conditional, required for specific classes
* Loss reserve & interest	N/A	N/A	Conditional, required for specific classes
* Cash loss limit	Conditional, required for specific classes		
* Portfolio	N/A	N/A	Conditional, required for specific classes
Premium portfolio	N/A	N/A	Conditional, required for specific classes

HEADING	Direct and Facultative Reinsurance	XL Treaty	Proportional Treaty
Loss portfolio	N/A	N/A	Conditional, required for specific classes
* Accounts	Conditional, required for specific classes e.g. proportional reinsurance		

7 Dictionary of MRC Headings

This dictionary includes the full definition of the headings used within MRC standard and lists the alternative heading names that may be used. See “Market Reform Contract Version 1.2 (August 2008) – Data Dictionary” at www.marketreform.co.uk .

Appendix A Risk Details

A.1 General Guidance

The headings that are typically required within the Risk Details section, depending on the type of business, are shown in section 6 of this document. Brief completion instructions for each of the key headings are given below. Full completion instructions for all of the headings can be found in the companion document "Market Reform Contract v1.2 (August 2008) – Data Dictionary".

Lloyd's brokers and insurers can access further information regarding the Lloyd's requirements using the Crystal tool at www.lloyds.com.

US Surplus Lines Insured Notices

The insurance notices of US states require surplus lines insurance contracts to contain notices in specified forms. The forms that notices must take and the place in the contract where they must appear vary from state to state.

Every insurance contract with the US classification of "US surplus lines" must comply with the applicable surplus lines notice requirements. Responsibility for providing these notices rests with the US surplus lines broker, although in some states this responsibility is shared with the insurer. A contract with the US classification of "US surplus lines" (other than Lloyd's contracts where the specific state requirements set out below apply) must therefore contain the following statement under "Insurer Contract Documentation":

"This contract is subject to US state surplus lines requirements. It is the responsibility of the surplus lines broker to affix a surplus lines notice to the contract document before it is provided to the insured. In the event that the surplus lines notice is not affixed to the contract document the insured should contact the surplus lines broker."

Special requirements apply to contracts relating to California, Illinois, Louisiana and Texas. In these states ultimate responsibility for ensuring that contracts include the appropriate Insured Notices lies with the insurer. The procedures for Lloyd's contracts are as follows:

- California: if the insured's principal address is in California, and the MRC is to be provided to the insured as the sole contractual document, Californian Disclosure Notice LSW 1147B must appear at the front of the MRC. If the contract is to be evidenced by an insurance policy, there must be a reference to LSW 1147B under "Notices". These requirements also apply to California non-regulated business. See Lloyd's Market Bulletin Y4095, issued 14 December 2007.
- Illinois: if the insured's principal address is in Illinois, or the contract covers immovable property (or movable property at a fixed location) in Illinois, the following wording must appear under "Notices", in no less than 12 point bold face

type: 'Notice to Policyholder: This contract is issued, pursuant to Section 445 of the Illinois Insurance Code, by a company not authorized and licensed to transact business in Illinois and as such is not covered by the Illinois Insurance Guaranty Fund.'

- Louisiana: if the contract insures property in Louisiana, it must contain a Disclosure Form. Details of the Forms are set out in Lloyd's Market Bulletin Y3963 issued 26 January 2007. The appropriate Form must appear under "Notices".
- Texas: if the insured's principal address is in Texas, the contract must contain the Texas Complaints Notice, LSW1022A. This should be referred to or set out in full under "Notices". See Lloyd's Market Bulletin Y4033, issued 29 June 2007.

A.2 Guidance on Specific Fields

A2.1 Unique Market Reference - Mandatory:

The UMR must be stated in the Risk Details section in the correct format:

- All UMRs must start B which must be followed by the Lloyd's Broker number. If the Broker number is three digits long it should be prefixed by a zero. If the Broker number is 123 the UMR would therefore start B0123. If the broker has a four digit Broker number such as 4567 it would be B4567.
- After the Broker number alphanumeric characters must be provided up to a maximum of 12. There is no prescribed standard for this, although most brokers tend to use their policy number.
- The UMR as a whole must be unique. This means that when a contract is renewed it cannot keep the same UMR.
- The UMR must not contain any spaces, hyphens, slashes or other punctuation. Only numbers 0-9 and letters A-Z may be used.
- The UMR is not case sensitive. Whether it is provided as upper case or lower case, many of the systems and current EDI messages used in the market will convert it to upper case.

In respect of mid term market changes, where the handling broker changes, the new broker must keep and use the previous broker's UMR. When the contract renews, the handling broker can provide a new UMR.

A2.2 Type - Mandatory:

This heading must incorporate details of the type of contract e.g. Marine Hull

A2.3 Insured - Conditional: Required for insurance risks – name variations exist.

The insured's name and, where appropriate, their address and/or business.

A2.4 Period - Mandatory: Name variations exist.

The inception date and time of day, expiry date and time of day as well as the applicable time zone. As an alternative to specifying both times it is acceptable to specify “both days inclusive”, although the applicable time zone is still required.

Where the risk is for a continuous contract the anniversary date is to be included in place of the expiry date, as well as the applicable time zone.

For risks where specific dates of inception or expiry are not known, for example voyages, constructions and sporting events, the specific events determining the period must be stated.

On proportional treaty business where the heading Period and Cancellation Provisions is used cancellation provisions, if any, must be stated including reference to what happens to business in force at cancellation, if applicable, and whether there is any option for either party in this respect.

On “Risks Attaching During” contracts it is acceptable to state “any time zone”.

If the phrase “local standard time” is used when expressing the policy period this should be qualified to establish how this is defined e.g. being at the head office of the insured. NB. When specifying the time 00:01 a.m. or 12:01 p.m. are suggested means of expression.

A2.5 Interest - Mandatory: Name variations exist.

Interest or subject matter insured or nature of liability. If exclusions are included under this heading then the nature of the interest must be shown first, followed by specific exclusions, making clear which is which.

A2.6 Limit of Liability - Mandatory: Name variations exist.

Sum insured or reinsured or indemnity or monetary limits – can additionally include details of deductibles, excesses, retentions.

A2.7 Situation - Mandatory: Name variations exist.

Situation, territorial limits or scope, trading warranties or location.

A2.8 Conditions - Mandatory: Name variations exist.

Identification, qualification or variation in coverage including the wording, clauses, conditions and amendments to any model clauses. Any additional data or schedule that is required to complete blanks within a model or registered wording should be entered or referenced here or under the relevant MRC heading, also referencing the section of the wording to which it applies e.g. specification of the claims notification nominee. The contract document must reference or attach in full all registered wordings and clauses. All non-registered wordings and clauses must be attached in full.

Where a registered wording or clause is used then the party adding the reference should ensure that all parties have access to the relevant wording or clause.

Insurers may propose additional conditions to be included under this heading.

A2.9 Notices – Conditional, required where applicable:

An optional heading where any notices or attestation clauses other than the Several Liability Notice should be recorded e.g. Lloyd's privacy statement, LSW1135B.

A2.10 Choice of Law and Jurisdiction - Mandatory:

The law that will apply in the event of a dispute between the insured and insurer and the court that will have jurisdiction. The relevant Service of Suit should be shown here, or under the Conditions heading, but not in both places.

A2.11 Premium - Mandatory: Name variations exist.

The premium to be paid by the insured or reinsured. Any premium instalment details should be shown here, and not under the Premium Payment Terms heading.

A2.12 Premium Payment Terms - Mandatory:

The premium payment terms applicable to the insured i.e. any premium payment terms, warranties and/or conditions. The content under this heading should specify the period in which the **insured** should settle the premium, whether as a single premium or in instalments, and whether to the broker or directly to the insurer. The Settlement Due Date relates to when the broker should settle the premium to insurers and should be shown under that heading in the Subscription Agreement Section rather than here.

A2.13 Tax(es) Payable by the Insured and Administered by Insurer(s) - Mandatory:

Any premium taxes and charges payable by the insured, in addition to the premium stated above, which are collected and/or administered by insurers or their agent e.g. UK Insurance Premium Tax. Any premium taxes and charges payable by insurers must be shown in the Fiscal and Regulatory section. Where it can be confirmed that no taxes apply (e.g. as a result of viewing the Crystal information) – state none applicable.

A2.14 Recording, Transmitting and Storing Information - Optional:

Details for procedures for storage of data, documents and other information in relation to the Data Protection Act.

A2.15 Insurer Contract Documentation - Mandatory:

For an open-market risk the options for insurer contract documentation are:

- A copy of the contract document; or
- An insurance policy

Where a foreign language wording is required, this will typically require a policy to be produced. Similarly there may be jurisdictions in which a formal policy is a specific requirement.

The broker may continue to evidence cover to the client by means of a Broker Insurance Document (BID), however no reference to a BID should appear in the Market Reform Contract.

Specifying the insurer contract documentation:

The document expected to be used by the majority if not all of the market, should be entered by the broker, or added by the Slip Leader. This may be a copy of the contract document or, where required, a policy. Where any insurer has a differing requirement it should be shown below including clear identification of the insurer(s) it applies to – for example by adding the insurer stamp.

Where a copy of the contract document will be used:

This document details the contract terms entered into by the insurer(s) and constitutes the contract document.

or, where a policy is required by the client or insurer:

XIS to sign Lloyd's and/or Company policy¹.

The policies are to be signed by XIS on Policy form "xxxx".

(An insurer may specify here any insurer contract documentation requirements that apply to them, if applicable, e.g. the need for a policy, including the policy form to be used).

See section A.1 for a description of how US surplus lines notice requirements should be referred to within the contract.

Contract change documentation:

The method to be used for contract change documentation can be specified here, e.g.

- The contract change document(s) signed by insurers shall form the evidence of the changes agreed; or
- XIS to sign policy endorsement(s) for attachment to any bureau signed policy.

A2.16 Form - Conditional: Required where a policy is to be produced and form has not been specified within the Insurer Contract Documentation heading.

This heading, and content, may be required where there is an intention to produce a policy based on a model policy wording. As shown in the example above, this information can alternatively be included within this heading to specify Insurer Contract Documentation requirements. Where a policy is to be produced in respect of more than one set of insurers (e.g. a Lloyd's policy and a bureau company policy) then the same Form reference may be applicable to both, or a separate reference may need to be provided for each market making it clear to which market(s) it is applicable.

¹ This statement may include clarification, if required, that the policy will be in electronic form.

Appendix B Information

B.1 General Guidance

This section allows for free form additional information and should include details of any information provided to insurers to support the assessment of the risk at the time of placement. Where the size or the format of the information is not suitable for inclusion it should be clearly referenced in this section (as should any appendices) and should be made available to all insurers during placing.

Where a contract covers values at risk in more than one country a full list of locations must be provided to insurers so that they know which taxes are payable. This information may be provided either under the information section or as a referenced attachment, as appropriate.

Appendix C Security Details

C.1 General Guidance

A stamp condition is one which is built into an insurers' stamp and therefore appears on every risk to which that stamp is applied. Stamp conditions should be removed and recorded elsewhere in the contract, where there is provision so to do.

A line condition is one manually applied by insurers against their written line. Certain line conditions that are relevant to the risk and cannot be specified elsewhere may remain in the Security Details section. If line conditions are necessary they must not contain acronyms or abbreviations but should state the condition in full, for example "No LOC" should be stated "No Letters of Credit". Refer to C2.6 for details.

Insurers must not use stamp/line conditions that specify "No Subscription Agreement" or "Ex Subscription Agreement" or similar. If there are particular provisions insurers do not wish to apply to them, these can be explicitly stated against the relevant Subscription Agreement heading or in exceptional circumstances not catered for in the Subscription Agreement, be specified as a line condition.

C.2 Guidance on Specific Fields

C2.1 (Re)Insurers' Liability - Conditional:

Where there is more than one participating insurer or the insurer is a Lloyd's syndicate, a several liability clause is required to clearly establish the individual (several) liability of each insurer or syndicate member. Brokers may include this clause as a default on all contract templates, irrespective of whether there are multiple insurers.

A combined Several Liability and Attestation clause (LMA3333) has been agreed, as follows. This clause should be provided in full and not simply referenced.

LMA3333

(Re)insurer's liability several not joint

The liability of a (re)insurer under this contract is several and not joint with other (re)insurers party to this contract. A (re)insurer is liable only for the proportion of liability it has underwritten. A (re)insurer is not jointly liable for the proportion of liability underwritten by any other (re)insurer. Nor is a (re)insurer otherwise responsible for any liability of any other (re)insurer that may underwrite this contract.

The proportion of liability under this contract underwritten by a (re)insurer (or, in the case of a Lloyd's syndicate, the total of the proportions underwritten by all the members of the syndicate taken together) is shown next to its stamp. This is subject always to the provision concerning "signing" below.

In the case of a Lloyd's syndicate, each member of the syndicate (rather than the syndicate itself) is a (re)insurer. Each member has underwritten a proportion of the total shown for the syndicate (that total itself being the total of the proportions underwritten by all the members of the syndicate taken together). The liability of each member of the syndicate is several and not joint with other members. A member is liable only for that member's proportion. A member is not jointly liable for any other member's proportion. Nor is any member otherwise responsible for any liability of any other (re)insurer that may underwrite this contract. The business address of each member is Lloyd's, One

Lime Street, London EC3M 7HA. The identity of each member of a Lloyd's syndicate and their respective proportion may be obtained by writing to Market Services, Lloyd's, at the above address.

Proportion of liability

Unless there is "signing" (see below), the proportion of liability under this contract underwritten by each (re)insurer (or, in the case of a Lloyd's syndicate, the total of the proportions underwritten by all the members of the syndicate taken together) is shown next to its stamp and is referred to as its "written line".

Where this contract permits, written lines, or certain written lines, may be adjusted ("signed"). In that case a schedule is to be appended to this contract to show the definitive proportion of liability under this contract underwritten by each (re)insurer (or, in the case of a Lloyd's syndicate, the total of the proportions underwritten by all the members of the syndicate taken together). A definitive proportion (or, in the case of a Lloyd's syndicate, the total of the proportions underwritten by all the members of a Lloyd's syndicate taken together) is referred to as a "signed line". The signed lines shown in the schedule will prevail over the written lines unless a proven error in calculation has occurred.

Although reference is made at various points in this clause to "this contract" in the singular, where the circumstances so require this should be read as a reference to contracts in the plural.

C2.2 Order Hereon - Mandatory:

If the order is known prior to the placement, the Order Hereon heading can be completed before the contract is presented to insurer(s).

In some situations the broker is unaware of the order, i.e. the client has not informed the broker of the order, or the broker has been asked to place "as much as possible" by the client, therefore a definitive order is unknown. This has the implication that the broker is unable to complete the Order Hereon heading before presenting to insurer(s). A blank entry under the Order Hereon heading can therefore be valid on a contract at the time of placing. Notwithstanding the fact that the placement may have been completed without defining the order percentage, there is still a requirement to reflect the final order on the contract when it is determined.

Where the order is not known, it is recommended that insurers' written lines are not expressed as a percentage of the order but as a proportion of the monetary amount of the whole risk e.g. 5% of GBP 500,000.

In situations where written lines are required to be expressed as a percentage of order, it follows that the order percentage must be specified before obtaining lines on this basis. Where required, the order may be expressed as a percentage of the monetary amount of the whole risk e.g. 50% of GBP 200,000.

C2.3 Basis of Written Lines - Mandatory:

The basis on which subscribing insurers written lines are applied to the order or contract. There are typically three variations that may be used:

- Percentage of Whole.
- Percentage of Order.
- Part of Whole (Can only be used where orders are expressed as monetary amounts and not percentages).

Not all written lines are currently expressed as percentages; some are expressed as monetary amounts; units or “per mille”. For ease of understanding, it is preferable that written lines are expressed as percentages of whole or order. Where lines are expressed in other ways, this must be clearly defined against the written lines in the Security Details section of the contract.

No further information should be entered under this heading.

Lines Clauses

Where a bureau signed policy is required, and in particular where the order percentage is not 100%, then a lines clause should be provided here or within Conditions; N.B. the appropriate percentages should be completed prior to submission of the policy to XIS, based upon the percentages agreed under the Security Details section of the MRC. This allows XIS to ensure that the policy documentation correctly reflects the order placed. NMA2419 is typically used for this purpose.

C2.4 Basis of Signed Lines - Conditional: Required where this differs from the basis of written lines.

Generally signed lines should total to 100% rather than to the order percentage. In cases where it may be more appropriate to have signed lines that total to the order percentage, the relationship between the signed lines and the order needs to be made clear from the details shown on the signing contract.

Typically the Basis of Signed Lines will be the same as the Basis of Written Lines, however this new contract heading is provided for when there is a need to vary the basis for the signed lines. This option is expected to be used primarily for Quota Share and Excess of Loss treaty business.

The heading Basis of Signed Lines may therefore be added as required, immediately under the Basis of Written Lines heading in the Security Details section of the contract.

The Basis of Signed Lines may be left blank at the time of placing but, where relevant, should be completed prior to the finalisation of signed lines. Signed lines should be expressed as percentages.

Guide to Orders

This appendix provides some examples of how orders may be expressed on Market Reform Contracts. It is recommended that written lines should be expressed as a percentage of whole. In order to aid clarity it is also recommended that the whole (monetary amount e.g. sum insured or limit) should be specified. Other means of expressing the order and line percentages may be used providing the intent is clear e.g. Part of Order.

CIRCUMSTANCES	OLD PANEL ONE NOTATION	MARKET REFORM CONTRACT NOTATION																		
<p>EXAMPLE A – PERCENTAGE OF WHOLE</p> <p>Client A gives the Broker a 100% order and they are the only Broker involved in the placement.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;"></td> <td style="width: 10%; text-align: center;">%</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: center;">Order</td> <td style="width: 10%; text-align: center;">Order</td> <td style="width: 10%; text-align: center;">Closed for</td> </tr> <tr> <td style="text-align: right;">Written Lines</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">Of</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">100%</td> <td style="text-align: center;">100%</td> </tr> <tr> <td></td> <td style="text-align: center;">Part</td> <td></td> <td style="text-align: center;">Whole</td> <td></td> <td></td> </tr> </table>		%		Order	Order	Closed for	Written Lines	_____	Of	_____	100%	100%		Part		Whole			<p>ORDER HEREON: 100% of Whole (Monetary amount)</p> <p>BASIS OF WRITTEN LINES: Percentage of Whole</p> <p>BASIS OF SIGNED LINES: Percentage of Whole (Monetary amount)</p>
	%		Order	Order	Closed for															
Written Lines	_____	Of	_____	100%	100%															
	Part		Whole																	
<p>EXAMPLE B – PERCENTAGE OF ORDER</p> <p>Client B gives the Broker a 50% order and decides to self insure the rest.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;"></td> <td style="width: 10%; text-align: center;">%</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: center;">Order</td> <td style="width: 10%; text-align: center;">Order</td> <td style="width: 10%; text-align: center;">Closed for</td> </tr> <tr> <td style="text-align: right;">Written Lines</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">Of</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">50%</td> <td style="text-align: center;">100% of 50%</td> </tr> <tr> <td></td> <td style="text-align: center;">Part</td> <td></td> <td style="text-align: center;">Whole</td> <td></td> <td></td> </tr> </table>		%		Order	Order	Closed for	Written Lines	_____	Of	_____	50%	100% of 50%		Part		Whole			<p>ORDER HEREON: 50% of Whole (Monetary amount)</p> <p>BASIS OF WRITTEN LINES: Percentage of Order</p> <p>BASIS OF SIGNED LINES: Percentage of Order</p> <p>NB. Such a scenario could also be expressed on a Percentage of Whole basis.</p>
	%		Order	Order	Closed for															
Written Lines	_____	Of	_____	50%	100% of 50%															
	Part		Whole																	
<p>EXAMPLE C – PART OF WHOLE</p> <p>Client C gives a Broker monetary order of GBP 100K where the total sum insured was GBP 200K. Lines are written as a monetary amount as part of the total sum insured. Signed lines are shown as part of the sum insured.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;"></td> <td style="width: 10%; text-align: center;">%</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: center;">Order</td> <td style="width: 10%; text-align: center;">Order</td> <td style="width: 10%; text-align: center;">Closed for</td> </tr> <tr> <td style="text-align: right;">Written Lines</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">Of</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">GBP 100</td> <td style="text-align: center;">50% of GBP 200K</td> </tr> <tr> <td></td> <td style="text-align: center;">Part</td> <td></td> <td style="text-align: center;">Whole</td> <td></td> <td></td> </tr> </table>		%		Order	Order	Closed for	Written Lines	_____	Of	_____	GBP 100	50% of GBP 200K		Part		Whole			<p>ORDER HEREON: 50% of GBP 200K</p> <p>BASIS OF WRITTEN LINES: Part of Whole (Monetary amount)</p> <p>BASIS OF SIGNED LINES: Part of Whole (Monetary amount)</p>
	%		Order	Order	Closed for															
Written Lines	_____	Of	_____	GBP 100	50% of GBP 200K															
	Part		Whole																	

Sample Contracts

This appendix provides some examples of how orders may be expressed on Market Reform Contracts. It is typically recommended that written lines should be expressed as a percentage of whole; in order to aid clarity it is also recommended that the whole (monetary amount e.g. sum insured or limit) should be specified. Other means of expressing the order and line percentages may be used providing the intent is clear e.g. Part of Order.

Example A – percentage of whole

Limits of Liability: MTL 3,000,000 any one claim and in the annual aggregate, inclusive of Costs and Expenses.

Order Hereon: 100 % of 100 %

Basis of Written Lines: Percentage of ~~ORDER~~ *WHOLE*

Basis of Signed Lines: Percentage of Whole

SECURITY DETAILS

s/l w/l

100%

100%
7/1/02
etc.



BB 11

Summary :

Written line = 100%

Signed line = 100%

Order = 100%

Example B – percentage of order

AMOUNT OF INSURANCE: CAD 59,500,000 any one occurrence and in the aggregate

ORDER HEREON: 100% of 75%

BASIS OF WRITTEN LINES: Percentage of Order

BASIS OF SIGNED LINES: Percentage of Order

s/s

50%

50%

SECURITY DETAILS

50%
TO STAND

Reith

15/2/06

001

J	P	0	G	C	M	6	8	4	5	1	X
---	---	---	---	---	---	---	---	---	---	---	---

002

50%
(line to stand)

A	7	S	2	B	K	O	A	A	N	L	A
---	---	---	---	---	---	---	---	---	---	---	---

Summary :
 Written lines total 100% of 75% order
 Signed lines total 100% of 75% order

Example C - part of whole

SUM REINSURED: GBP 200,000 each occurrence

ORDER: 50% of GBP 200,000

BASIS OF WRITTEN LINES : part of whole

BASIS OF SIGNED LINES : part of whole

12.5% GBP 25,000 of whole

12.5% GBP 25,000 of whole

12.5% GBP 25,000 of whole

12.5% GBP 25,000 of whole

The certificates contain the following details:

- Grid 1: A 6 A 0 5 9 0 7 7 A 0 0
- Grid 2: 1 1 3 2 5 0 0 2 4 0 0 0
- Grid 3: 2 0 2 5 2 7 7 0 0 0 0 6, N P F U S 4 X 0 L F L D, W 0 0 X I S
- Grid 4: 0 6 1 P X F 1 1 8 1 1 8 1 2 A A

Summary:

Written lines total GBP100,000 part of whole (GBP200,000 sum insured)

Signed lines total 50% part of whole (100%)

C2.5 Signing Provisions - Conditional: Required where there is more than one participating insurer.

C2.5.1 The Contract Certainty Guidance (June 2007) requires that where there is more than one participating insurer the contract must include an agreed basis on which each insurer's final participation will be determined (Principle E.1).

C2.5.2 Model Signing Provisions can assist with the implementation of this principle and help to provide certainty of signed lines at inception. This is important for clients, to confirm their security and for insurers, to confirm their participation and commitment of capital. It also clearly establishes the proportion to be borne by each insurer in the event of a loss.

C2.5.3 The signing provisions contained in this guidance enable the signed lines for each contract to be clearly determined at the conclusion of placement. Any subsequent variation of these signed lines then requires the documented agreement of the insured and all insurers whose lines are to be varied.

C2.5.4 It is recommended that every contract should contain a clause which sets out the signing provisions, to assist with certainty in this area. The Model Signing Provisions below have been reviewed by leading counsel instructed on behalf of MRG.

C2.5.5 There are two versions of the Model Signing Provisions; one without a disproportionate signing clause, and one that allows disproportionate signing before inception at the election of the insured. The Broker can select the appropriate version to use on the contract, taking account of the insured's requirements. The model clauses are not mandatory and insureds, Brokers and insurers may make additions, deletions or amendments.

Insurer signing instructions

C2.5.6 The Market Reform Group (MRG), supported by the opinion of leading counsel, recommends that the use of all insurer signing instructions other than "line to stand" should be discontinued. For example, the use of insurer signing instructions such as "X% to sign Y%" should be discontinued, as their meaning may be unclear and compromise contract certainty.

C2.5.7 If the lines written by insurers "to stand" should exceed 100% of the order, then the agreement of insurers would be required to vary these lines. In the event of a disproportionate signing, priority should be given to any intended variation of lines written "to stand".

Model Signing Provisions

Without Disproportionate Signing

In the event that the written lines hereon exceed 100% of the order, any lines written "to stand" will be allocated in full and all other lines will be signed down in equal proportions so that the aggregate signed lines are equal to 100% of the order without further agreement of any of the insurers.

However:

- a) in the event that the placement of the order is not completed by the commencement date of the period of insurance then all lines written by that date will be signed in full;
- b) the signed lines resulting from the application of the above provisions can be varied, before or after the commencement date of the period of insurance, by the documented agreement of the insured and all insurers whose lines are to be varied. The variation to the contracts will take effect only when all such insurers have

agreed, with the resulting variation in signed lines commencing from the date set out in that agreement.

With Disproportionate Signing

In the event that the written lines hereon exceed 100% of the order, any lines written "to stand" will be allocated in full and all other lines will be signed down in equal proportions so that the aggregate signed lines are equal to 100% of the order without further agreement of any of the insurers.

However:

a) in the event that the placement of the order is not completed by the commencement date of the period of insurance then all lines written by that date will be signed in full;

b) the insured may elect for the disproportionate signing of insurers' lines, without further specific agreement of insurers, providing that any such variation is made prior to the commencement date of the period of insurance, and that lines written "to stand" may not be varied without the documented agreement of those insurers;

the signed lines resulting from the application of the above provisions can be varied, before or after the commencement date of the period of insurance, by the documented agreement of the insured and all insurers whose lines are to be varied. The variation to the contracts will take effect only when all such insurers have agreed, with the resulting variation in signed lines commencing from the date set out in that agreement.

C2.6 Line Conditions - Conditional: Required where insurers wish to apply line conditions.

Table 1 lists those line conditions that compromise contract certainty and should not be used.

Table 2 lists those line conditions that should not be used, as provisions are made in the body of the contract.

Table 3 lists risk specific line conditions which are acceptable as they cannot be readily catered for in the contract. Please note that these risk specific line conditions cannot be stated as Stamp Conditions.

Table 1: Line Conditions that would compromise contract certainty requirements

LINE Condition	REASON FOR PROHIBITION
Wording to be agreed	Contract certainty requires wordings to be agreed before the insurer formally commits to the contract.
All signing instructions other than lines to stand	All other signing instructions are imprecise and therefore ambiguous, e.g. X% to sign Y%.

Table 2: Line Conditions provided for in either Risk Details or Subscription Agreement sections and not the Security Details section

LINE Condition	Intended Effect	Guidance
All terms conditions, amendments, deletions, special acceptances and endorsements to be agreed	The insurer wants to agree all endorsements, changes to terms and conditions and special acceptances, etc	<p><u>Contracts written with a GUA</u></p> <p>The Slip Leader will see all endorsements as a matter of course. Agreement Parties specified under the heading, Other Agreement Parties For Contract Changes for Part Two GUA changes only.</p> <p>Followers wishing to agree all endorsements for their own proportion should insert "XYZ insurer to agree all terms conditions, amendments, deletions and endorsements under the heading Agreement Parties for Contract Changes for their Proportion Only.</p> <p><u>Contracts without a GUA</u></p> <p>Insurers wishing to agree all endorsements for their own proportion should insert their name next to the heading Agreement Parties for Contract Changes for their Proportion Only.</p>
Warranted premium payable within 60 days of inception	Condition in relation to the payment of the premium, warranting that it be paid within 60 days of inception.	This is a premium payment term and should be clearly expressed in the Risk Details section under the Premium Payment Terms heading.
SDD 14/11/05	Notification of the expected premium payment date.	The Settlement Due Date by which the Insurers wish to receive their premium or the due date of the 1st instalment if the premium is on a deferred basis should be stated under the Settlement Due Date heading in the Subscription Agreement section.
Excluding Hull War	Marine exclusion condition of loss, damage, liability or expense arising from war to a ship hull.	This is a condition to the contract and must be stated under the Conditions heading in the Risk Details section.
Claims Handling Authority delegated to XCS	A condition providing for XCS to agree claims on behalf of the slip leader.	The Rules and Extent of any other Delegated Claims Authority heading in the Subscription Agreement section provides for this claims handling arrangement.

LINE Condition	Intended Effect	Guidance
Each insurer to the extent of several liability	A condition ensuring that each insurer is liable only for their amount of risk (Limited Liability).	The appropriate clause must be stated in full under the (Re)insurer's Liability heading in the Security Details section to ensure that the insured is fully aware of the notice.
All claims to be agreed	A condition mandating that a particular carrier wants to agree all claims.	Insurers wishing to agree all claims should insert their name under the Claims Agreement Parties heading in the Subscription Agreement section. N.B. – Lloyd's syndicates must be mindful of the terms of the Lloyd's Claims Scheme 2006 before adding their name as a Claims Agreement Party. Only the first participating Lloyd's insurer (and optionally the second in respect of special category claims) may agree claims.
Notice of cancellation at anniversary date	A provision commonly found in contracts of insurance for more than a year, and permits the insurer to serve notice of cancellation at the anniversary date, thereby effectively reducing the security of such a contract to that of a single year and enabling parties to renegotiate for a subsequent year.	N.B. Not permitted for use by Lloyd's managing agents. If non-Lloyd's insurers wish to apply this provision then they must: ensure the contract is continuous; not use abbreviations, e.g. NCAD, and ensure that the necessary elements are contained in a clearly worded condition; be satisfied that the provision has legal effect under the law specified under Choice of Law and Jurisdiction heading; and record this under the Conditions heading.

Table 3: Acceptable Line Conditions

LINE Condition	Intended Effect	REASON FOR RETENTION
Line to stand	A condition to ensure that a line stays as it is written and is not signed down.	A recognised and acceptable line condition.
Excluding Letters of Credit and Outstanding Claims Advances (and/or for incurred but not reported losses)	A condition imposed by the carrier where they will not provide Letters of Credit and Outstanding Claims Advances.	Risk specific heading particular to reinsurance business and not catered for in the contract.

Appendix D Subscription Agreement

D.1 General Guidance

Brokers should ensure that the content of each section is strictly limited to the requirements of each heading. The Subscription Agreement should document all insurer requirements for the agreement of claims and endorsements, whether these are under collective arrangements such as GUAs or arrangements for certain insurers to agree such matters for their own proportion only.

Insurers should indicate their requirements clearly, under the appropriate headings.

Insurers must not delete the Subscription Agreement section of the contract or use stamp/line conditions that specify “No Subscription Agreement” or “Ex Subscription Agreement” or similar. If there are particular provisions insurers do not wish to apply to them, these can be explicitly stated against the relevant Subscription Agreement heading or in exceptional circumstances not catered for in the Subscription Agreement, be specified as a line condition.

D.2 Guidance on Specific Fields

D2.1 Slip Leader - Mandatory:

NB. The heading has been retained as Slip Leader as this is the term used in related documents e.g. the GUA.

The name of the slip leader must be clearly identified. If known when the contract is produced it should be entered by the broker. If not, the slip leader must enter it when writing the contract.

There will typically only be one slip leader per MRC, however there can be circumstances where this does not apply e.g. different leaders for layers placed within the same MRC.

Insurers should note that being the Slip Leader does *not* automatically confer rights or obligations to agree contract changes or claims on behalf of others, *unless opting to do so under other provisions elsewhere in the contract*, e.g. under the application of a General Underwriters Agreement. A slip leader not wishing to accept such obligations (except for its own participation) must specify such requirement under Basis of Agreement to Contract Changes and / or Claims Agreement Parties, in the same way as *any* participating (following) insurer that may also wish to do the same. As a specific contract term, any such requirement will take precedent over a GUA.

The exception to the above rule is in respect of Claims Agreement by Lloyd's Managing Agents where the parties required to agree claims are dictated by the terms of the current Lloyd's Claims Scheme.

D2.2 Bureau Leader - Conditional: Only required where the Slip Leader is not also the Bureau Leader.

In situations where the Slip Leader is a non-bureau insurer, it may be necessary to have a Bureau Leader to facilitate the necessary bureau processing. In these circumstances the contract should include the name of the Bureau Leader. In such cases, subsequent contract provisions will need to be specific with regard to any Slip Leader agreements.

D2.3 Basis of Agreement to Contract Changes - Mandatory:

By this heading, the agreement process for contract changes to the contract must be stated. Therefore, the contract must specify any leading underwriter agreement that applies e.g. GUA and applicable class of business schedule etc. Alternatively, under this heading it may specify who will agree different types of contract changes e.g. “all amendments and/or additions and/or deletions (etc) to be agreed by the slip leader to be binding on all following insurers”.

Unless specified to the contrary elsewhere in the contract, the definition of contract changes includes, but is not limited to, endorsements, alterations, amendments, deletions and special acceptances. Where different insurers wish to agree only some of the above items their arrangements must be specific with regards to their intent.

When a GUA is used, a relevant schedule must be used as well. The relevant schedule must be referenced accurately and in full (i.e. dated) e.g. General Underwriters Agreement (October 2001) with Non-Marine Schedule (October 2001). For more information on the content of the schedules, visit the Market Reform website (www.marketreform.co.uk)

D2.4 Other Agreement Parties for Contract Changes, for Part 2 GUA Changes Only - Conditional: To be used only when the GUA forms the basis of agreement to contract changes (and not in conjunction with other leading underwriter agreements that do not have “part 2 changes”).

This heading is used solely to identify those insurers that will agree changes affecting Part Two of the GUA.

The relevant GUA schedule separates contract changes into three parts – part one includes alterations the slip leader may agree on behalf of all insurers such as clearly typographical errors, part three details alterations that must be submitted for agreement by all insurers, and part two alterations are those that are not included in part one and part three. Those parties in addition to the slip leader to agree part two alteration on behalf the following market must be stated under this heading.

If the GUA is not used then the heading should be omitted. If no insurers are specified under this heading and it is left blank, those parties required to agree part two alterations will automatically default to all insurers. Often this is not the intention of leaving the heading blank. A possible solution to avoid this outcome is for the broker to insert “Where no other agreement parties for contract changes are stated herein, the agreement parties will be the slip leader only.” leaving a space for any followers to add their name in below.

Stating “none” or “not applicable” should be avoided. As an alternative a phrase such as “slip leader only to agree part two changes” can be used.

Any insurer wishing to agree all contract changes for their own proportion should not state their requirement here, but instead under the following heading.

D2.5 Agreement Parties for Contract Changes, for Their Proportion Only - Conditional: Where required by insurers.

This heading is used solely to identify those insurers that will agree contract changes in respect of their proportion only.

Insurers should insert their names (or ‘clean’ stamps), and initial and date their respective provisions. Alternatively, where there are insufficient provisions, additional insurers may use ‘And Me’ to indicate the same requirement, similarly applying their

name and / or stamp, initials and date. Brokers should allow sufficient space within the contract template for insurers to insert this information where required.

D2.6 Basis of Claims Agreement - Mandatory: Required for London placements.

The claims agreement procedure(s) must be specified, namely the current Lloyd's Claims scheme if there are any subscribing Lloyd's syndicates and the IUA claims agreement practices, if there are any subscribing bureau insurers. Any other risk specific agreement procedures must also be included.

It is also acceptable to state under this heading: Non-bureau companies to agree claims subject to their own claims agreement procedures.

D2.7 Claims Agreement Parties - Mandatory:

The name(s) or other identifiers of (all of) the Lloyd's syndicate(s) and / or (re)insurance company(ies) to be the claims agreement parties for their proportion only should appear under this heading. These will vary depending on the class of business and market.

NB. For Lloyd's syndicates the option to be a claims agreement party on this basis is only available for special category claims.

This heading should not make reference to the basis of claims agreement (e.g. the Lloyd's 2006 claims scheme), which should be mentioned under the Basis of Claims Agreement heading.

No further information other than the Claims Agreement Parties should be entered under this heading.

D2.8 Claims Administration - Mandatory:

All claims related information with the exception of identification of agreement parties and the claims agreement procedures must be included. Clarification is required as to which insurers will use CLASS and the use of email or repositories. Where it is intended to use the Electronic Claims File system (ECF) then the following wording may be used, "Broker XYZ and insurers agree that any claims hereunder (including any claims related costs/fees) will be notified and administered via ECF with any payment(s) processed via CLASS, unless both parties agree to do otherwise."

D2.9 Rules and Extent of any Other Delegated Claims Authority - Mandatory:

If any of the claims agreement parties specified earlier have delegated any of their claims agreement rights or procedural obligations to any other party, this is to be specified including any limits that may apply e.g. all claims less than GBP XXXX.

It is the responsibility of the claims agreement parties to update this section as necessary.

D2.10 Expert(s) Fee Collection - Conditional: Required for direct risks and some reinsurance, where collection procedures need to be specified.

One of the following option(s) should be agreed by brokers and insurers at the time of placement along with any other qualifications or provisions deemed necessary by any of the affected parties. Where it is known up-front, the specific service provider should be named. Where the specific service provider will only be identified in the

event of a loss (dependent upon location or other factors) then they need not be named within the placing submission.

- An appointed service provider to collect London market share only.
- An appointed service provider to collect all contract security, including overseas.
- An appointed service provider to collect only overseas percentages.
- Broker to collect fees.
- Broker to collect experts fees, to be remunerated on a financial basis agreed between the insurers and broker at time of placement.
- Any other agreement that can be determined between affected parties at time of contract placement.

N.B. The Slip Leader must ensure that any special fee collection arrangements with third party service providers which the expert in question has in place are not prohibited or adversely affected by the selection process above.

N.B. Where an option relates to fee collection only in respect of just London or just overseas markets (Options 1 & 3) and there are subscribing insurers from both markets then more than one option must be specified.

The options for fee collection recorded in this document may be used with all London market contracts. If a Market Reform Contract is used then the contract heading will be available to record the necessary information. If the contract is not produced to the above (market reform) structure then it is recommended that a contract heading of Expert(s) Fees Collection be inserted to record this information.

The Expert(s) Fees Collection heading is optional on reinsurance business but due consideration should be given to facultative reinsurances where claims control or co-operation clauses may exist with fees payable by London reinsurers.

D2.11 Settlement Due Date - Mandatory:

The Settlement Due Date is the date (day, month and year) by which the insurers wish to receive their premium or the due date of the 1st instalment if the premium is on a deferred basis. The content of this field should be expressed as a date, and not simply as a reference to the Premium Payment Terms in Risk Details. Please note that the date shown here is a term of trade and not a policy condition such as a "Premium payment warranty" or a "Premium payment condition". These must continue to be shown under the Premium Payment Terms heading in the Risk Details section. The location of the SDD in this section of the contract does not confer any change in the legal effect of the SDD or the implications of non-compliance.

No further information other than the settlement due date should be entered under this heading.

D2.12 Instalment Premium Period of Credit - Conditional: Required for placements where the premium is to be paid via instalments.

This is the number of days added to the client due dates of subsequent instalments. No further information other than the deferred premium period of credit should be entered under this heading.

D2.13 Adjustment Premium Period of Credit - Conditional: Required where premium is to be adjusted after expiry.

Specify the number of days after expiry insurers expect the final adjustment of premium (if any) to be paid.

No further information other than the adjustment premium period of credit should be entered under this heading.

D2.14 Bureau(x) Arrangements - Mandatory:

This is a mandatory heading where any specific arrangements relating to the bureaux including administrative arrangements for premium settlement, delinked accounting, and policy signing or basis of policy agreement clauses must be stated.

Where the premium will be settled to insurers in anything other than the original currency, then the settlement currency to be used may be specified here and/or under non-bureau arrangements. This applies where the settlement currency can be specified up-front; where this is not the case then this information need not be provided. Agreement to use a contract checking service may also be referenced here or under non-bureau arrangements, depending upon the provider.

D2.15 Non-Bureau Arrangements - Optional:

To be used as appropriate to record any specific provisions relating to insurers outside of the bureau. Agreement to use a contract checking service may be referenced here or under bureaux arrangements, depending upon the provider.

Appendix E Fiscal and Regulatory

E.1 General Guidance

Many of the headings are only required in particular circumstances as specified below.

E.2 Guidance on Specific Fields

E2.1 Tax Payable by Insurer(s) - Mandatory:

This must show taxes where the insurer bears the immediate cost, i.e. the taxes are deductions from the premium retained by the insurer. Generally these include income taxes, insurance levies and withholding taxes but insurers can also be liable for premium taxes and other parafiscal charges, such as Canadian provincial premium tax, German fire brigade charge or French national catastrophe levy amongst others.

It should also be clear which party is responsible for making the payment to the authorities, i.e. the insurer, local intermediary, or insured.

Taxes that are a cost to the insurer and which are withheld locally by brokers or insureds should be shown in this section for information purposes.

Taxes which are payable by insureds but administered by insurers should not be included here (there is a separate heading for them within Risk Details).

Lloyd's additional instructions:

For detailed tax guidance for Lloyd's business see www.lloyds.com/Crystal

E2.2 Country of Origin - Mandatory:

The country in which the insured is resident, if they are a private individual, or has its main operating address, if it is a corporate body.

The country of origin is:

- For a reinsurance contract, the country in which the ceding insurer's office is situated.
- For a global or multi-national policy, the country in which the insured's head or main office is situated.
- For a master policy, the country in which the master policyholder is situated.

If there are multiple parties with an interest in the risk, domiciled in different countries, it is necessary to designate the country most appropriate in the circumstances as the "country of origin".

E2.3 Overseas Broker - Mandatory:

For non-UK risks, the name and address of the insurance intermediary other than the London placing broker involved in placing this contract.

The insurance intermediary whose details are required is usually the intermediary who is next to the London placing broker in the placing chain.

If no intermediary is involved, other than the London placing broker, this section should say “Direct assured”, “Direct insured”, “Direct reassured” or “Direct reinsured”.

For UK risks this section can be completed “Not applicable” or “None”.

For US surplus lines risks, if there is no intermediary in the placing chain other than the US surplus lines broker and the London placing broker, this section can be completed “See (Surplus Lines Broker) heading”. If the London placing broker is not dealing directly with a US surplus lines broker, details of the intermediary the London placing broker is dealing with directly must be entered here.

Lloyd’s additional instructions:

Lloyd’s requires Open Market Correspondent (OMC) approval/ registration in the countries and territories listed here:

www.lloyds.com/Lloyds_Market/Market_participants/Open_Market_Correspondents.htm

If the contract is underwritten in whole or part by Lloyd’s insurers, and the intermediary detailed under “Overseas broker” is in one of the listed countries or territories, it must be either an OMC or a Lloyd’s approved coverholder. If the risk or insured are situated in Illinois, Kentucky, Canada or US Virgin Islands, the “Overseas broker” must be either an OMC or a Lloyd’s approved coverholder.

If this intermediary is a Lloyd’s OMC, the details should include the OMC’s Lloyd’s reference number, available from Lloyd’s OMC Directory, which can be accessed via the above link. If the reference number is provided, it is not necessary to give the overseas broker’s address.

If the risk is an Illinois Surplus Lines risk, Lloyd’s requires that an OMC is involved in the placement. If the OMC is the Surplus Lines broker whose details are given under the next heading, this section may be completed “See (Surplus Lines Broker) heading”. The details provided under the next heading should include the OMC registration number. If the OMC is a different firm, its details should be given under this heading.

E2.4 Surplus Lines Broker - Conditional: Required on all contracts with a US classification of “US Surplus Lines”.

If the contract is classified as “US surplus lines”, it is mandatory to provide the US Surplus Lines broker’s name, address and surplus lines licence number. Instead of providing the full address, the name of the US state or territory in which the US Surplus Lines broker’s business premises are located may be provided.

The Surplus Lines broker whose details are provided is the intermediary who has filed details of the insured risk with a US state insurance department or other authority. For most risks it will also have arranged payment of the tax.

In some states either the SSN or FEIN number of the Surplus Lines broker or Surplus Lines agency is used as the Surplus Lines licence number. For such brokers, rather than provide the full SSN or FEIN number, the contract should state the initials “SSN” or “FEIN” rather than the licence number. This is the case in the following states:

- North Carolina.
- South Carolina.
- North Dakota.
- Virginia.

If taxes and filings are due in more than one state/territory, details must be provided of all the Surplus Lines brokers who pay taxes and make filings. The licence number provided must be the Surplus Lines licence number for the state in which the filing is made.

Lloyd's has provided further details of its requirements in Market Bulletin Y3889 "US Surplus Lines: requirements for documents presented to Xchanging for signing", dated 12 October 2006. Similar requirements apply to company insurer participations.

A New Jersey Surplus Lines contract must include the transaction number in this section. This is a unique number, 14 characters long, issued by the New Jersey surplus lines broker for every surplus lines transaction that they handle.

E2.5 State of Filing - Conditional: Required on all contracts with the US classification "US Surplus Lines".

The US state or territory in which a filing has been made, or will be made, by the Surplus Lines broker(s) mentioned in the above heading.

If taxes and filings are due in more than one state/territory, each state/territory must be given, specifying the amount of premium filed in each state. It must be clear from this and the preceding heading precisely which Surplus Lines broker has paid taxes/filed in which state. If appropriate this information may be provided on an attachment such as a spreadsheet.

E2.6 US Classification - Conditional: Required on all contracts where: the original premium is in US Dollars; or the original premium is in another currency and the Country of Origin is the US.

Only the following classifications are permitted:

- US Surplus Lines
- US reinsurance
- Illinois licensed
- Kentucky licensed
- US Virgin Islands (USVI) licensed
- Non regulated or Exempt
- Various. This can be used only for facility-type contracts, which can produce a mixture of the foregoing classifications. As the MRC cannot be used for binding authorities or lineslips, it is expected that use of "Various" will be extremely uncommon.

Risks classified as "Exempt" must be exempt from US state "doing business" and Surplus Lines laws. The classification "Exempt" must not be used to identify Surplus Lines risks exempt from tax. Such risks must be classified as "US Surplus Lines".

Further details are available from Lloyd's Market Bulletin Y4173 "US Classifications on Market Reform Contracts" issued 4 August 2008.

Non-regulated or Exempt:

It is important that the classifications of "Non-regulated" or "Exempt" are used only for transactions that are either not regulated by, or fall under specific exemptions in, US insurance laws. To help insurers understand the reason for allocating these

classifications, we recommend that a further explanation is given whenever they are used. The four recommended alternative explanations are as follows:

- "Non-regulated - Non-US risk"

Used when a US classification is required because the premium is in US dollars, but the contract is not subject to US insurance laws because the insured risk is not located in the US.

- " Non-regulated - Industrial insured"

Used when a contract is arranged in accordance with a US state "industrial insured" exemption from surplus lines laws. Many states have industrial insured exemptions, applying to commercial insureds who meet the criteria set out in the exemption.

- " Non-regulated - MAT exemption"

Used when a contract is arranged in accordance with a US state "marine, aviation or transport" exemption from surplus lines laws. Many (but not all) states have MAT exemptions. Exact details of the exemption vary from state to state.

- " Non-regulated - Independent procurement"

Used when a contract is arranged in accordance with the "independent procurement" procedure. This requires a US citizen to leave their state to procure insurance from an insurer outside their state. Some (but not all) US states explicitly recognise this procedure in their insurance laws. All of the requirements of independent procurement must be complied with, including payment by the insured of any applicable state taxes.

E2.7 NAIC Codes - Conditional: Required on all contracts with the US classification "US reinsurance".

The NAIC company code of the ceding US insurer.

If the contract reinsures more than one ceding US insurer, the NAIC code of each US cedant must be shown. If the cedant does not have an NAIC code, its FEIN may be stated instead.

E2.8 Allocation of Premium to Coding – Conditional (mandatory where there are Lloyd's participations)

The risk code allocated and the split of premium for signing purposes.

If the contract covers risks situated in more than one country, the contract should include a breakdown of the premium by country. This can be provided on a separate spreadsheet.

If the premium is broken down by country and by risk code, the relationship between these breakdowns must be clear. For some classes, e.g. workers' compensation, the basis of apportionment should also be shown (turnover, staff numbers etc.). Some risk codes relate to particular countries. The premiums allocated to such risk codes should tie up with those allocated to the countries concerned. A premium split

between Overseas Legislation Terrorism risk codes and main peril risk codes should tie up with the apportionment of the premium to the territory concerned.

E2.9 Allocation of Premium to Years of Account - Conditional: Required on contracts where the policy period exceeds 18 months.

E2.10 FSA Client Classification - Mandatory:

FSA Client classification. The options are as follows:

Consumer: A natural person, acting outside his trade, business or profession. It includes a contract insuring a “large risk” purchased by a consumer, where the risk is located in the European Economic Area (EEA). See “large risk” below.

Consumer exempt: Exempt insurance risks (e.g. extended warranty risks).

Commercial customer: A customer who is not a Consumer. This classification must not be used if the contract insures a “large risk”.

Large risk: A contract insuring:

- (i) Railway rolling stock, aircraft, ships (sea, lake, river and canal vessels), goods in transit, aircraft liability or liability of ships (sea, lake, river and canal vessels).
- (ii) Credit and suretyship, where the policyholder is engaged professionally in an industrial or commercial activity or in one of the liberal professions and the risk relates to such activity.
- (iii) Land vehicles (other than railway rolling stock), fire and natural forces, other than damage to property, motor vehicle liability, general liability and miscellaneous financial loss, insofar as the policyholder exceeds the limits of at least two of the following three criteria:
 - a. Balance sheet total: Euros (EUR) 6.2 million
 - b. Net turnover: Euros (EUR) 12.8 million.
 - c. Average number of employees during the financial year: 250.

This includes a contract insuring a large risk purchased by a consumer, where the risk is located outside the EEA. It does not include a contract insuring a large risk purchased by a consumer where the risk is located inside the EEA, which must be classified as “Consumer”.

Group risks: A group policy sold to a customer (consumer, commercial or large risk) for the benefit of policyholders in relation to their common employment occupation or activity where some or all are capable of being a consumer (with a requirement to produce a policy summary for policyholders, with policy available on request).

Reinsurance: Reinsurance worldwide.

E2.11 Is the Business Subject to Distance Marketing Directive? - Conditional: Required where the FSA Client Classification is “Consumer” or “Consumer Exempt”. For all other FSA Client Classifications this heading is omitted.

Details required: Where it appears the only applicable answers are Yes or No.

Appendix F Broker Remuneration and Deductions

F.1 General Guidance

Brokerage may be expressed in a variety of ways within the contract. For example Total Brokerage may be provided, or a breakdown of Retail Brokerage and Wholesale Brokerage.

F.2 Guidance on Specific Fields

F2.1 Fee Payable by Client? - Mandatory:

The broker should specify whether their client is paying a fee to them. This should be a simple “Yes” or “No” answer.

F2.2 Total Brokerage - Conditional: Required where retail and wholesale brokerage is not split out.

The total brokerage allowance. The broker and insurer may agree that it is appropriate to separate total brokerage into separate retail and wholesale amounts or retail and wholesale brokerage may be combined under this heading and any subscription market brokerage shown as a separate field.

F2.3 Retail Brokerage - Conditional: Required where retail and wholesale brokerage is split out.

The amount of brokerage being earned by the retail broker. Where this heading is used then Wholesale brokerage must also be used.

F2.4 Wholesale Brokerage - Conditional: Required where retail and wholesale brokerage is split out.

The amount of brokerage being earned by the wholesale broker. Where this heading is used then Retail brokerage must also be used.

F2.5 Other Deductions from Premium – Mandatory:

Any additional deductions from premium e.g. administration fees, sundry payments etc. (If these do not apply enter “None” under this heading).