

**CIRCULATED TO ALL BROKERS
ATTENTION INSURANCE DEPARTMENT**

**20 OCTOBER 2004
JHH/MA**

INSURANCE MEDIATION DIRECTIVE (IMD)

As I trust you are aware, the European Union Insurance Mediation Directive (2002/92/EC) will come into force on 14th January 2005. In order to implement the terms of the Directive, Member States within the European Economic Area ("EEA") have introduced, or are in the process of introducing, enacting legislation.

Brokers and any other third party introducing insurance business to an insurer ("Intermediaries") based in the EEA will no doubt be considering their obligations under the IMD and where appropriate be seeking permission or a variation of an existing authorisation to carry out Insurance Intermediary Activities. Brokers/Intermediaries based in an EEA country other than the UK will also be considering whether or not they require authorisation from their Home State regulator to provide similar services in the UK under the Third Non-Life Insurance Directive.

The IMD imposes an obligation on all regulated insurers within the EEA to ensure that those from whom they accept business on behalf of principals (including brokers/Intermediaries regulated in other EEA countries) are authorised under the IMD. The North of England P&I Association Limited is a regulated insurer and is therefore required under the legislation implementing the IMD to ensure that any broker/Intermediary it accepts business from is appropriately authorised.

Within the next few days we shall be sending a Circular on the IMD to our Members (a copy is attached) and other regulated Clubs in the International Group will be sending similar Circulars so that a uniform approach is achieved to ensure that brokers/Intermediaries with which those Clubs deal are IMD compliant. The Circular will set out the requirement that brokers/Intermediaries based in the EEA introducing business will be required to confirm that they are IMD authorised in their relevant country and that, where necessary, they have freedom of services authorisation.

The Clubs suggest in the Circular that the following wordings be incorporated in underwriting renewal/new business documentation in order to confirm that a broker or other insurance intermediary is IMD/freedom of services authorised. A certificate in the relevant wording will require to be incorporated in all quotation acceptances with effect from 14th January 2005.

CIRCULAR

NORTH OF ENGLAND P&I ASSOCIATION LIMITED 100 The Quayside, Newcastle upon Tyne, UK, NE1 3DU
Telephone: +44 (0) 191 2325221 Fax: +44 (0) 191 2610540 www.nepia.com

The North of England Protecting and Indemnity Association Limited. Registered in England No. 505456. Registered Office above
Hong Kong: Room 2503, COSCO Tower, 183 Queen's Road, Central, Hong Kong Telephone: +852 25446813 Fax: +852 25424424
Greece: 5-7 Aghiou Nikolaou, GR 185 37 Piraeus, Greece Telephone: +30 210 4283038 Fax: +30 210 4280920.
Singapore: 80 Anson Road, #26-04 Fuji Xerox Towers, Singapore 079907 Telephone: +65 64110160 Fax: +65 62240160.
Tokyo: Akiyoshi Kyobashi Building, 8th Floor, 1-17-2 Kyobashi, Chuo-ku, Tokyo, Japan 104-0031 Tel: +81 (3) 5159 5373 Fax: +81 (3) 5250 0003
North Insurance Management Limited. Registered in England No. 3922841. Registered Office above. Regulated in the UK by the Financial Services Authority

The proposed wordings are:

a) for brokers/Intermediaries regulated in the UK by the FSA:

"(Name of broker/Intermediary) is registered for IMD purposes with the Financial Services Authority, and will advise you of any change in that status."

b) for brokers/Intermediaries regulated in the EEA and introducing EEA business (excluding UK business):

"(Name of broker/Intermediary) is registered for IMD purposes with (Name of Regulator) in (Country of Regulation), and will advise you of any change in that status."

c) for brokers/Intermediaries regulated in the EEA and introducing UK business:

"(Name of broker/Intermediary) is registered for IMD purposes with (Name of Regulator) in (Country of Regulation), has permission under that country's freedom of service legislation to perform intermediary activities within the UK, and will advise you of any change in that status."

The FSA circulated a letter dated 9th August 2004 to all regulated insurers in the UK to which the IMD applies (a copy is attached/website link <http://www.fsa.gov.uk/pubs/ceo/giregime9aug04.pdf>). The insurers have been requested to check their distribution chains to ensure that brokers/Intermediaries and in particular secondary brokers/Intermediaries have applied for authorisation under the IMD. You are requested to check that all EEA brokers/Intermediaries with whom you transact for the purposes of placing risks with this Association are duly authorised under the IMD in their Home State. In this context, you should be aware that the FSA has recently made a transitional rule to the effect that a firm regulated under the IMD in the UK may use the services of a broker/Intermediary in another EEA State where that State has not implemented the IMD by 14th January 2005.

In the context of the FSA letter referred to above, I shall now be obliged if you will confirm to us by 1st November 2004 that you are already IMD compliant or will be compliant by the IMD implementation date. Please send your confirmation to Stephen Rebar (email stephen.rebar@nepia.com) . If you consider that the terms of the IMD do not apply to you or that you are in some other way exempt, please advise us accordingly.

So far as the procedures outlined above are concerned, we shall assume that you are content with them unless you have provided us with your comments before 1st November.

JOHN HOWE
DIRECTOR - North Insurance Management Limited
As Managers on behalf of the North of England P&I Association Limited