

A New Approach to Third Party Oversight

Proposed amendments to the Intermediaries Byelaw
and related Requirements (to be read together with
Consultation Document)
January 2019

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Section 1: Amendments to the Intermediaries Byelaw

INTERMEDIARIES BYELAW

Purpose

The purpose of this Byelaw is to –

1. permit the acceptance of business at Lloyd's through *coverholders*;
2. ~~permit the *determination* of claims at Lloyd's through *third party administrators*~~
3. ~~specify to whom a *managing agent* may delegate its authority to underwrite contracts of insurance, and issue insurance documentation and to *determine claims*;~~
3. ~~state which type of *coverholder* must be approved by the *Franchise Board*;~~
4. provide for the registration of persons to whom delegated authority is given ~~all approved *coverholders*;~~
5. provide for the registration of certain contracts of delegated authority ~~binding authorities; and~~
6. provide for the *Franchise Board* to prescribe conditions and requirements relating to contracts of delegated authority ~~and to insurance documentation issued by *coverholders*~~ persons to whom delegated authority is given; and
7. provide for the registration of *Lloyd's brokers*.

The Byelaw also revokes –

1. The Delegated Underwriting Byelaw (No. 1 of 2004); and
2. The Lloyd's Broker Byelaw (No. 7 of 2004); and

Amendments

This byelaw was amended by

Intermediaries (Service Company Amendment) Byelaw (No. 5 of 2008)

The Legislative Reform (Lloyd's) Order (Market Provisions) Byelaw (No. 1 of 2009)

Intermediaries (Claims Determination) Amendment Byelaw (No. 1 of 2012)

Intermediaries (Restricted Coverholder Revocation) Amendment Byelaw (No. 1 of 2014)

Intermediaries () Amendment Byelaw (No. X of 2019)

Words and terms shown in italics have the meaning set out in the Definitions Byelaw.

This Byelaw was made by the *Council* on 28 March 2007 in exercise of its powers under section 6(2) and 8(3) of, and paragraphs (4), (12), (14), (19), (21), (24), (37) and (41) of

Schedule 2 to, Lloyd's Act 1982 and may be referred to as the Intermediaries Byelaw (No. 3 of 2007).

The headings and these notes are for guidance only and do not form part of the Intermediaries Byelaw.

Commentary (not part of the byelaw):

This version of the byelaw has been prepared showing amendments proposed by Lloyd's. Some commentary has been provided to aid an understanding of the key changes - this has been included for the purposes of the consultation only. The commentary does not form part of the byelaw.

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Section 1 Delegated Underwriting Authority

Part A – Delegation of authority

Delegation of authority to enter into contracts of insurance

1. A *managing agent* shall not delegate its authority to enter into contracts of insurance to be underwritten by the *members* of a *syndicate* managed by it to any *person* other than –
 - (a) to a director or employee of the *managing agent* or, with the consent of the *Franchise Board*, to any other individual engaged to provide services to the *managing agent*;
 - (b) to another *managing agent* or authorised insurance company in accordance with the terms of a *line slip*;
 - (c) to another *managing agent* in accordance with the terms of a ~~registered~~ *binding authority consortium agreement*;
 - (d) to an *approved coverholder* in accordance with the terms of a ~~registered~~ *binding authority*;
 - (e) to such other *person* or class or category of *persons* as the *Franchise Board* may permit in accordance with the terms of a *contract of delegated authority*;
~~{(e) deleted by the Intermediaries (Restricted Coverholder Revocation) Amendment Byelaw (No. 1 of 2014).}~~
 - (f) to the *Society*, or a representative or agent of the *Society*; or
 - (g) in accordance with any other of the *requirements of the Council*.

Commentary (not part of the byelaw):

The inclusion of a new sub-paragraph (e) is intended to allow Lloyd's to take a more flexible and risk based-approach to permitting different types of delegation, in appropriate cases. In these cases, prior approval by Lloyd's of the third party will not be required before delegated authority is given by managing agents, provided the requirements Lloyd's will prescribe in each case are complied with. It is intended to provide for any detailed requirements in the 'Code of Practice – Delegated Authority', which can be updated from time to time.

An equivalent provision to sub-paragraph (e) is also included in paragraph 3 (delegation of issuance of insurance documentation) and 4A (delegation of determination of claims).

Note that a new defined term of 'contract of delegated authority' has also been introduced which includes all contracts of delegated authority, including (but not limited to) binding authorities, line slips and consortium agreements (as well as third party administrator agreements –referenced below).

2. Any *person*, other than the *Society*, ~~or a managing agent, with~~ to whom authority to enter into contracts of insurance to be underwritten by *members* of a *syndicate* has been delegated in accordance with paragraph 1 shall not sub-delegate that authority other than —

(a) — to a director, partner or employee of that *person* ~~or, with the consent of the Franchise Board, to any other individual engaged to provide services to that person in accordance with the terms of the binding authority or line slip in question; or,~~

(b) to any of the persons and in accordance with such specified contract of delegated authority as is listed in paragraph 1 (b) to (g).

save that the Franchise Board may from time to time prescribe conditions and requirements as to the sub-delegation of authority in accordance with this paragraph by or to any person or class or category of persons (which may include prohibiting the sub-delegation of authority). ~~save that a service company coverholder may also sub-delegate its authority under its service company agreement to another approved coverholder in accordance with the terms of a binding authority.~~

Commentary (not part of the byelaw):

Paragraph 2 now permits sub-delegation to any person to whom delegation of authority is permitted. This changes the position from the current byelaw provision, which only allows for sub-delegation in a very limited number of cases. This change is intended to allow Lloyd's to take a more flexible and risk-based approach to sub-delegation.

Lloyd's view of sub-delegation remains, however, that in most cases it will be imprudent to allow unrestricted sub-delegation. The paragraph therefore expressly provides that Lloyd's may restrict the ability to sub-delegate and a new paragraph A1 has been inserted in the related Requirements made pursuant to the Intermediaries Byelaw (see separate document). This imposes requirements prohibiting sub-delegation except by managing agents and service company coverholders other than where Lloyd's further prescribes. The updated 'Code of Practice – Delegated Authority' will provide for the additional circumstances where Lloyd's proposes to allow limited sub-delegation by coverholders.

Equivalent amendments have been made to paragraph 4 (sub-delegation of issuance of insurance documentation) and 4B (sub-delegation of determination of claims).

Delegation of authority to issue insurance documentation[†]

3. A *managing agent* shall not delegate its authority to issue documents evidencing contracts of insurance underwritten by the *members* of a *syndicate* managed by it to any *person* other than to –
 - (a) the *LPSO*;
 - (b) a director or employee of the *managing agent* or, with the consent of the *Franchise Board*, to any other individual engaged to provide services to the *managing agent*;
 - (c) another *managing agent* or an authorised insurance company in accordance with the terms of a *line slip*;
 - (d) another *managing agent* in accordance with the terms of a ~~registered binding authority~~ *consortium agreement*;
 - (e) an *approved coverholder* in accordance with the terms of a ~~registered binding authority~~ *or a restricted binding authority*;
 - (f) to such other person or class or category of persons as the Franchise Board may permit in accordance with the terms of a contract of delegated authority; or
 - ~~[(f) — deleted by the Intermediaries (Restricted Coverholder Revocation) Amendment Byelaw (No. 1 of 2014).]~~
 - (g) the *Society*, including for the purpose of issuing or otherwise making available ~~marine~~ insurance certificates in accordance with the Marine Insurance Certificates Byelaw (No. 3 of 2002), or a representative or agent of the *Society*; ~~or~~
 - ~~(h) — to such other persons as the Franchise Board may permit.~~

4. Any *person*, other than the *Society*, ~~or LPSO or a managing agent~~, with to whom authority to issue documents evidencing contracts of insurance underwritten on behalf of the *members of a syndicate* has been delegated in accordance with paragraph 3 shall not sub-delegate that authority other than –
 - (a) to a director, partner or employee of that person or, with the consent of the Franchise Board, to any other individual engaged to provide services to that person in accordance with the terms of the binding authority or line slip in question; or

[†] Paragraph 3 of the Intermediaries Byelaw does not prohibit:

~~(1) — the use of electronic systems or repositories for the formation, recording and storage of insurance contracts; or~~
~~(2) — brokers from producing evidence of cover from such systems or repositories as this in itself does not constitute delegation of authority by the managing agent. In that context, brokers may produce insurer authorised evidence of cover held on the system for onward transmission to the insured provided that the reproduction is a complete and accurate reproduction of the insurer authorised evidence of cover.~~

This footnote has been included because Lloyd's has received enquiries seeking clarification of this paragraph in the context of electronic systems and repositories. This footnote does not form a part of the byelaw. Lloyd's August 2008.

(b) to any of the *persons* and in accordance with such specified *contract of delegated authority* as is listed in paragraph 3 (a) and (c) to (g),

save that the *Franchise Board* may from time to time prescribe conditions and requirements as to the sub-delegation of authority in accordance with this paragraph by or to any *person* or class or category of *person* (which may include prohibiting the sub-delegation of authority).~~save that a *service company coverholder* may also sub-delegate its authority under its *service company agreement* to another approved *coverholder* in accordance with the terms of a *binding authority*.~~

Commentary (not part of the byelaw):

The changes to paragraph 3 and 4 are intended to mirror those made to paragraphs 1 and 2.

Delegation of authority to determine claims

4A. A *managing agent* shall not delegate its authority to *determine* claims on contracts of insurance underwritten by the *members* of a *syndicate* managed by it to any *person* other than –

- (a) to a director or employee of the *managing agent* or, with the consent of the *Franchise Board*, to any other individual engaged to provide services to the *managing agent*;
- (b) to another *managing agent* or authorised insurance company in accordance with the terms of a *line slip*;
- (c) to another *managing agent* in accordance with the terms of a *consortium agreement*;
- (d) to an *approved third party administrator* in accordance with the terms of a *third party administrator agreement*;
- (da) an *approved coverholder* where the contract of insurance has been entered into or is being administered by that *approved coverholder* in accordance with the terms of a *binding authority*;
- (e) to an *approved run-off company* in accordance with the terms of a *contract of delegated authority*;
- (f) to a *Lloyd's claims settling agent* in accordance with the terms of a *contract of delegated authority*;
- (g) a lawyer or firm of lawyers qualified to practice law under the laws and regulations where they are located in accordance with the terms of a *contract of delegated authority*;

- (h) to such other *person* or class or category of *persons* as the *Franchise Board* may permit in accordance with the terms of a *contract of delegated authority*;
or
- (i) to the *Society*, or a representative or agent of the *Society*.

4B. Any *person*, other than the *Society*, to whom authority to *determine* claims on contracts of insurance underwritten by *members* of a *syndicate* has been delegated in accordance with paragraph 4A shall not sub-delegate that authority other than –

- (a) to a director, partner or employee of that *person* or, with the consent of the *Franchise Board*, to any other individual engaged to provide services to that person; or
- (b) to any of the *persons* and in accordance with such specified *contract of delegated authority* as is listed in paragraph 4A (b) to (i).

save that the *Franchise Board* may from time to time prescribe conditions and requirements as to the sub-delegation of authority in accordance with this paragraph by or to any *person* or class or category of *person* (which may include prohibiting the sub-delegation of authority).

Commentary (not part of the byelaw):

Lloyd's believes that delegated claims handling should be subject to the same oversight framework as already currently applies to delegated underwriting. Accordingly, paragraphs 4A and 4B are intended to put in place equivalent provisions for delegated claims handling as already exist for delegated underwriting and provide that the delegation of claims handling authority will only be permitted by Lloyd's in the cases listed in the new paragraph 4A. This includes to third party administrators, who will now need to be approved by Lloyd's.

Coverholders determining claims in respect of business written or administered by them will not require approval as a third party administrator.

The list of persons to whom it will be permitted to delegate claims authority substantially follows the existing list set out in the current Part G of the Intermediaries Byelaw.

Part B – Registers of ~~coverholders~~ persons with delegated authority and contracts of delegated authority~~registered binding authorities~~

Establishment and maintenance of registers

5. The *Franchise Board* shall establish and maintain registers of –
- (a) *approved coverholders*; ~~and~~
 - (b) *approved third party administrators*;
 - (c) such other classes or categories of *persons* to whom the *Franchise Board* has permitted authority to be delegated or sub-delegated in accordance with paragraphs 1 to 4B as the *Franchise Board* may prescribe from time to time;
and
 - (~~db~~) ~~*registered binding authorities*~~ such classes or categories of *contracts of delegated authority* as the *Franchise Board* may prescribe from time to time.

Commentary (not part of the byelaw):

Lloyd's currently is required to maintain a register of approved coverholders and the binding authorities that they hold. Lloyd's will now maintain parallel registers for approved third party administrators and third party administrator agreements. Lloyd's intends to maintain registers of others to whom delegated authority is given (including line slips, consortium arrangements and 'distributors') and their contracts of delegated authority. Lloyd's will publish in due course further details, including its requirements for providing details for the registers. In practice, this will administratively be dealt with through Chorus, the replacement for BAR and ATLAS.

6. The registers shall be in such form and contain such information as the *Franchise Board* may prescribe.
7. The *Franchise Board* may prescribe which *persons* or categories or classes of *person* may inspect all or any part of each register referred to in paragraph 5.

Registration of approved coverholders, approved third party administrators and others to whom the *Franchise Board* has permitted authority to be delegated or sub-delegated

- 7A. The arrangements for entering in and removing names from the register of *approved coverholders* and *approved third party administrators* shall be in accordance with paragraphs 11 and 19.

- 7B. The Franchise Board may from time to time prescribe the arrangement for entering in the register of names of *persons* required to be registered in accordance with paragraph 5 (c), including –
- (a) which classes and categories of *persons* may register a *person* within this category; and
 - (b) the requirements and procedures that must be complied with in order to register such a *person*.
- 7C. The *person* who registers a *person* within this category shall ensure that the information contained in the register relating to that *person* is kept up-to-date.
- 7D. Managing agents, approved coverholders and approved third party administrators shall not permit *persons* required to be registered in accordance with paragraph 5 (c) within this category to exercise authority delegated to them in accordance with any of paragraphs 1 to 4B unless that *person*'s name is included in the register.
- 7E. The Franchise Board may at any time remove from the register established and maintained in accordance with paragraph 5 (c) the names of any *persons* who are not or have ceased to be *persons* requiring their name to be included in the register.

Commentary (not part of the byelaw):

Other than for approved coverholders and third party administrators, the onus of entering details on the register will be on the parties. Registration does not indicate that a person is approved by Lloyd's. Registration in these cases will merely be a requirement that applies where delegated authority is given in accordance with Lloyd's requirements and allows, amongst other things, for Lloyd's to track arrangements in the market. Where there is no requirement for a person to be registered (for example, because it no longer has a contract of delegated authority) Lloyd's will be able to remove the person's name from the register.

Registration of contracts of delegated authority

- 7F. The Franchise Board may from time to time prescribe –
- (a) which classes and categories of persons may register a *contract of delegated authority*; and
 - (b) prescribe requirements and procedures which must be complied with in order to register a *contract of delegated authority*.

7G. The *person* who registers a *contract of delegated authority* shall ensure that the information contained in the register relating to that *contract of delegated authority* is kept up-to-date.

Part C - Approved coverholders and approved third party administrators

Commentary (not part of the byelaw):

The changes in this section primarily provide for the application to third party administrators of the same approval arrangements as currently already apply to coverholders.

Applications for approval

8. Any company or partnership that wishes to be approved as an *approved coverholder* or as an *approved third party administrator* (an “*applicant*”) may apply to the *Franchise Board*. Applications shall be made in accordance with such procedures and shall be accompanied by such documents and information as the *Franchise Board* may from time to time prescribe.
9. The *Franchise Board* may require an *applicant*, which is not a *Lloyd’s broker*, to be sponsored by a *Lloyd’s broker* or a *managing agent* (the “*sponsor*”).
10. At any time after receiving an application, the *Franchise Board* may, in connection with the consideration of the application, require –
 - (a) the *applicant*;
 - (b) any *sponsor*; or
 - (c) any *managing agent* which proposes to enter into a *binding authority or third party administrator agreement* with the *applicant*,

or any of the directors, partners and employees of any such person to –

- (i) provide information, documents, books, records and other materials;
- (ii) answer questions;
- (iii) give undertakings or make declarations to the *Franchise Board*;
- (iv) attend before the *Franchise Board* or any representative or agent of the *Society*;
- (v) permit the *Franchise Board* or any representative or agent of the *Society* to attend at the *applicant’s* business premises to inspect, review or assess the *applicant’s* business operations, books and records and to pay or contribute to the costs of that inspection, review or assessment;

- (vi) provide funds or other security (including, but not limited to letters of credit, charges or guarantees) for the settlement and payment of insurance transactions incurred by it.

Approval

11. The *Franchise Board* may consider applications for approval as an *approved coverholder* or approved third party administrator and grant or refuse any such approval. Upon granting any such approval the name of the *applicant* shall be entered into the register of *approved coverholders* or approved third party administrator, as applicable.
12. The *Franchise Board* shall not approve an *applicant* as an *approved coverholder* or approved third party administrator unless the *applicant* has demonstrated to the *Franchise Board* that it is suitable to be approved as such ~~an approved coverholder~~.
13. In deciding whether an *applicant* is suitable to be approved as an *approved coverholder* or as an approved third party administrator the *Franchise Board* shall have regard to such criteria as it may from time to time prescribe for all or any class or category of *applicants*.
- 13A. The *Franchise Board* shall not approve an application to become an *approved coverholder* unless the *applicant* can demonstrate that, upon approval, it has a reasonable expectation of entering into a *binding authority* and the *Franchise Board* is satisfied that the *syndicate* for whose *members* any contracts of insurance are to be underwritten is managed by a *managing agent* that has the capabilities and competencies to underwrite the business in question through that *applicant*.

Commentary (not part of the byelaw):

This new paragraph introduces an express requirement for Lloyd's, before approving a coverholder, to take into account the capabilities of the managing agent on whose behalf the new coverholder will be underwriting. In practice, both the suitability of any coverholder and the capabilities of the managing agent need to be considered together to make an informed decision on a new coverholder proposition and this is now expressly provided for.

14. A *person* shall not hold itself out as being an *approved coverholder* or as an approved third party administrator unless its name appears in the register of *approved coverholders* or the register of approved third party administrators, as applicable.

15. The approval of a *person* as an *approved coverholder* or as an *approved third party administrator* may be –
- (a) subject to that *person* entering into a *binding authority* or *third party administrator agreement* to be registered in accordance with this Byelaw within such period as the *Franchise Board* may specify;
 - (b) subject to the provision of undertakings or declarations from such *persons* as the *Franchise Board* may require;
 - (c) for a specific or an indefinite period;
 - (d) in the case of *approved coverholders*, subject to that *person* being classified as a *service company coverholder*.

Directions, conditions and requirements

16. The *Franchise Board* may at any time give such directions to or impose such conditions or requirements on an *approved coverholder* or *approved third party administrator* (or any class or group thereof) as it thinks necessary or appropriate. A direction, condition or requirement given or imposed under this paragraph may include a direction, condition or requirement for the purposes of ensuring that the *approved coverholder* or *approved third party administrator* (or any class or group thereof) –
- (a) is or will continue to be suitable to be an *approved coverholder* or *approved third party administrator*;
 - (b) will only act in that capacity in accordance with a *binding authority* or *third party administrator agreement* which has such parties, or which was arranged or broked by such person or persons, as the *Franchise Board* may specify;
 - (c) will only act in that capacity in respect of certain classes or categories of insurance business or in respect of certain geographical areas as specified by the *Franchise Board*;
 - (d) in the case of *approved coverholders*, may only determine the premium to be charged in respect of each contract of insurance to be entered into under a *binding authority* in accordance with such restrictions or limitations as the *Franchise Board* may specify;
 - (e) in the case of *approved coverholders*, may only determine claims on contracts of insurance which have been entered into or are being administered by that *approved coverholder* in accordance with such restrictions or limitations as the *Franchise Board* may specify;
 - (f) may only sub-delegate any authority to enter into or to issue documents evidencing contracts of insurance or to determine claims on contracts of insurance underwritten by or, as the case may be, to be underwritten by

members of a syndicate in accordance with such restrictions or limitations as the Franchise Board may specify (which may include prohibiting any sub-delegation of authority).

Commentary (not part of the byelaw):

The non-exhaustive list of directions that Lloyd's can make in relation to approved coverholders and approved third party administrators has been extended to reflect changes made elsewhere in the byelaw.

Review of approval

17. The *Franchise Board* may at any time conduct a review of an *approved coverholder's* or approved third party administrator's approval under this Byelaw for the purpose of determining –
 - (a) whether they continue to suitable to be approved as such ~~approved coverholder continues to be suitable to be an approved coverholder;~~
 - (b) whether there are or may be any ground for exercising any power of the *Franchise Board*.

18. In connection with any review conducted by the *Franchise Board* under paragraph 17, the *Franchise Board* may require the *approved coverholder* or approved third party administrator, any *managing agent* which is or has been a party to a *binding authority* or third party administrator agreement with the *approved coverholder* and any *Lloyd's broker* which arranged, broked or is a party to any such *binding authority* or third party administrator agreement and any of their directors, partners or employees to –
 - (a) provide information, documents, books, records and other materials;
 - (b) answer questions;
 - (c) attend before the *Franchise Board* or any representative or agent of the *Society*;
 - (d) permit the *Franchise Board* or any representative or agent of the *Society* to attend at the *approved coverholder's* or approved third party administrator's business premises to inspect, review or assess the *approved coverholder's* or approved third party administrator's business operations, books and records and to pay or contribute to the costs of that inspection, review or assessment;
 - (e) make declarations to the *Franchise Board*.

Revocation of approval

19. The *Franchise Board* may at any time revoke the approval of an *approved coverholder* or approved third party administrator and remove its name from the applicable register ~~of approved coverholders~~ if the *Franchise Board* considers that –
- (a) the *approved coverholder* or approved third party administrator is not suitable to be approved as such ~~an approved coverholder~~;
 - (aa) the *approved coverholder* or approved third party administrator has failed to or has ceased to comply with any requirements of the Council;
 - (b) the *approved coverholder* or approved third party administrator has failed to or has ceased to comply with any direction, condition or requirement given to or imposed upon it under paragraph 16;
 - (c) the *approved coverholder* or approved third party administrator has failed to or has ceased to comply with the terms of any undertaking or declaration that it has given to the *Franchise Board*;
 - (d) in the case of an approved coverholder, the *approved coverholder* has not been party to a ~~registered~~ binding authority for a period of 3 months, or such longer period as the *Franchise Board* may permit, since the expiry of its authority to enter into contracts of insurance on behalf of the *members* of a *syndicate* under the last ~~registered~~ binding authority to which it was party;
 - (da) in the case of an approved third party administrator, the *approved third party administrator* has not been party to a third party administrator agreement for a period of 6 months, or such longer period as the *Franchise Board* may permit, since the expiry of its authority to determine claims on contracts of insurance underwritten by the members of a syndicate under the last third party administrator agreement to which it was party; or
 - (e) it is necessary or desirable in order to protect the name, reputation or standing of the *Society* and of its *members* or their authorisation to conduct insurance business.

Commentary (not part of the byelaw):

The new sub-paragraph (aa) allows Lloyd's to revoke approval where a coverholder or third party administrator fails to comply with Lloyd's requirements. Its absence in the current byelaw is an omission, which has been corrected.

20. Where the *Franchise Board* considers that there are grounds for revoking the approval of an *approved coverholder* or an approved third party administrator the *Franchise Board* may if it considers that there is good reason to do so –

- (a) postpone that revocation for such period or periods as the *Franchise Board* may specify from time to time or until the *Franchise Board* shall otherwise determine; and
- (b) in connection with such postponement, at any time give such directions or impose such requirements as it may think fit including directions or requirements for the purpose of ensuring that –
 - (i) in the case of an *approved coverholder*, the *approved coverholder* does not or does not continue to enter into or purport to enter into any further contracts of insurance on behalf of *members* of a *syndicate*;
 - (ia) in the case of an *approved third party administrator*, the *approved third party administrator* does not or does not continue to *determine* or purport to *determine* claims underwritten by *members* of a *syndicate*;
 - (ib) the *approved coverholder* or *approved third party administrator* does not or does not continue to enter into or purport to enter into any contract of *delegated authority*; and
 - (ii) any contracts of insurance entered into ~~by the *approved coverholder*~~ on behalf of *members* of a *syndicate* in any capacity are properly administered.

Decisions may be made by electronic processes

21. Where it considers appropriate, any decision in this part may be made and communicated by the *Franchise Board* using automated electronic processes.

Commentary (not part of the byelaw):

Using Chorus, which is replacing ATLAS and BAR, and adopting a risk-based approach, Lloyd's anticipates that a significant number of tasks relating to coverholder and third party administrator permissions can in the future be dealt with automatically, without the need for a member of the PMD team becoming involved. This paragraph clarifies, for the avoidance of doubt, that Lloyd's may make decisions in this way.

[Part D – Restricted coverholders

Deleted by the Intermediaries (Restricted Coverholder Revocation) Amendment Byelaw (No. 1 of 2014).]

Part E - ~~Binding authorities and line slips~~ Contracts of delegated authority

Commentary (not part of the byelaw):

The amendments to this part are largely consequential of the changes made elsewhere, which extends Lloyd's oversight framework to delegated claims authority and the introduction of greater flexibility to allow additional delegation or sub-delegation arrangements.

Requirements relating to ~~binding authorities and line slips~~ contracts of delegated authority

30. The *Franchise Board* may from time to time prescribe conditions and requirements with which all ~~binding authorities or line slips~~ contracts of delegated authority or any class or category of contract of delegated authority ~~binding authority or line slip~~ must comply including conditions and requirements relating to information, provisions and terms to be included in a ~~binding authority or line slip~~.
31. An approved coverholder or a managing agent shall not enter into or purport to enter into a contract of insurance or contract of delegated authority or issue or purport to issue a document evidencing a contract of insurance under a binding authority, consortium agreement or a line slip unless –
- (a) each of the parties to the *binding authority, consortium agreement or line slip* have agreed to its terms and conditions; and
 - (b) the *binding authority, consortium agreement or line slip* complies with the conditions and requirements prescribed by the *Franchise Board* in accordance with paragraph 30.
- 31A. An approved third party administrator shall not determine or purport to determine a claim or enter into a contract of delegated authority under a third party administrator agreement unless –
- (a) each of the parties to the *third party administrator agreement* have agreed to its terms and conditions; and
 - (b) the *third party administrator agreement* complies with the conditions and requirements prescribed by the *Franchise Board* in accordance with paragraph 30.
- 32A. An approved coverholder, an approved third party administrator or a managing agent shall not authorise, permit or cause any person to whom they delegate or sub-delegate authority to enter into a contract of insurance or issue a document evidencing a

contract of insurance or to determine a claim under a contract of delegated authority unless –

- (a) each of the parties to the contract of delegated authority have agreed to its terms and conditions; and
- (b) the contract of delegated authority complies with the conditions and requirements prescribed by the Franchise Board in accordance with paragraph 30.

Registration of binding authorities and third party administrator agreements

32. An approved coverholder shall not enter into or purport to enter into a contract of insurance or a contract of delegated authority and shall not issue or purport to issue a document evidencing a contract of insurance under a binding authority until that binding authority has been registered in accordance with the requirements and procedures prescribed by the Franchise Board.

32A An approved third party administrator shall not determine or purport to determine a claim or enter into a a contract of delegated authority under a third party administrator agreement until that third party administrator agreement has been registered in accordance with the requirements and procedures prescribed by the Franchise Board.

33. Deleted by Intermediaries () Amendment Byelaw (No. X of 2019)The Franchise Board may from time to time prescribe—

- (a) which classes and categories of persons may register a binding authority; and
- (b) prescribe requirements and procedures which must be complied with in order to register a binding authority.

34. Deleted by Intermediaries () Amendment Byelaw (No. X of 2019)The person who registers a registered binding authority shall ensure that the information contained in the register relating to that binding authority is kept up to date.

Part F - Requirements for insurance documentation

35. The *Franchise Board* may from time to time prescribe such conditions and requirements regarding insurance documentation issued under a *contract of delegated authority*~~*binding authority*~~ or a ~~*line slip*~~ which may include conditions and requirements relating to –
- (a) the content, form and style of the insurance documentation;
 - (b) service standards for the issuance and distribution of the insurance documentation;
 - (c) arrangements to ensure, where a contract of insurance has been entered into under a ~~*binding authority*~~*contract of delegated authority*, that a policyholder can verify the authority of a ~~*coverholder*~~*person* to enter into contracts of insurance underwritten by *members* of a *syndicate* and the authenticity of the insurance documentation issued by it; and
 - (d) arrangements for the proper control of the issuance and distribution of the insurance documentation.

Part G – Claims and third party administrators

Deleted by the Intermediaries () Amendment Byelaw (No. X of 2019).]

Commentary (not part of the byelaw):

Lloyd's is proposing that a similar oversight framework should apply to delegated claims handling as currently applies to delegated underwriting. This new approach, which is provided for by proposed amendments made elsewhere in the byelaw, will replace the current requirements for delegated claims handling and third party administrators as currently set out in Part G. It is therefore proposed to delete Part G.

Claims

- 36A. ~~In respect of contracts of insurance entered into under a *binding authority*, a *managing agent* shall not delegate its authority to determine claims arising under a contract of insurance entered into on behalf of the *members* of a *syndicate* managed by that *managing agent* to any person other than to —~~
- ~~(a) the scheme service provider as defined under the terms of the Lloyd's Claims Scheme;~~
 - ~~(b) a director or employee of the *managing agent* or, with the consent of the *Franchise Board*, to any other individual engaged to provide services to the *managing agent*;~~
 - ~~(c) another *managing agent* or to a *substitute agent*;~~
 - ~~(d) an *approved run-off company*;~~
 - ~~(e) a *coverholder* where the contract of insurance has been entered into by that *coverholder* in accordance with the terms of a *binding authority*;~~
 - ~~(f) a *Lloyd's claims settling agent*;~~
 - ~~(g) a lawyer or firm of lawyers qualified to practice law in accordance with the laws and regulations where they are located;~~
 - ~~(h) a *third party administrator* where the *managing agent* is satisfied that the *third party administrator* is suitable having regard to such criteria that the *Franchise Board* may from time to time prescribe;~~
 - ~~(i) the *Society* or a representative or agent of the *Society*; or~~
 - ~~(j) to such other *person* or classes or category of *person* as the *Franchise Board* may permit either generally or in respect of different types, classes or categories of contracts of insurance.~~

36B—~~In respect of contracts of insurance other than those entered into under a *binding authority*, a *managing agent* shall not delegate its authority to determine claims arising under a contract of insurance entered into on behalf of the *members* of a *syndicate* managed by that *managing agent* other than to a *person* that the *managing agent* is satisfied is a competent or appropriate *person* taking into account such guidelines, standards or requirements that the *Franchise Board* may from time to time prescribe.~~

36C—~~For the purpose of this Part G of this Byelaw, the expression “to determine claims” shall mean all activities relating to the acceptance or denial of a claim (in whole or in part), the agreement of any amount payable in respect of a claim or the final resolution of any claim, complaint or other matter ancillary to that claim (whether by agreement or by dispute resolution).~~

~~Third party administrators~~

~~Notification~~

36D.—~~A *managing agent* shall notify the *Franchise Board*—~~

- ~~(a) — where it intends to delegate its authority to determine claims pursuant to paragraph 36A(h) of this Byelaw to a *third party administrator*; and~~
- ~~(b) — forthwith when the managing agent terminates its delegation of authority to determine claims to that *third party administrator*,~~

~~and notifications shall be made in accordance with such process or system as the *Franchise Board* operates for that purpose.~~

~~Obligation to inform if no longer fit and proper~~

36E.—~~A *managing agent* shall immediately notify the *Franchise Board*—~~

- ~~(a) — if it has reason to believe that any *third party administrator* may not be a fit and proper *person*; or~~
- ~~(b) — of any other matters relating to the *third party administrator* which the *managing agent* believes may adversely impact the name, reputation or standing of the *Society* and of its *members* or their authorisation to conduct insurance business.~~

Information

~~36F. The *Franchise Board* may at any time require a *managing agent*, which has delegated its authority to determine claims to a *third party administrator* pursuant to paragraph 36A(h) of this Byelaw, to—~~

- ~~—— (i) provide information, documents, books, records and other materials;~~
- ~~—— (ii) answer questions;~~
- ~~—— (iii) give undertakings or make declarations to the *Franchise Board*;~~

~~—— in respect of that *third party administrator*.~~

Directions and requirements

~~36G. The *Franchise Board* may at any time give such directions to or impose such conditions or requirements on a *managing agent* in respect of any *third party administrator* (or any class or group thereof) as it thinks necessary or appropriate. A direction, condition or requirement given or imposed under this paragraph may include a direction, condition or requirement—~~

~~(a) for the purposes of ensuring that a *third party administrator*—~~

- ~~—— (i) is or will continue to be fit and proper to be a *third party administrator*;~~
- ~~—— (ii) will only act in that capacity in respect of certain classes or categories of insurance business as specified by the *Franchise Board*;~~

~~(b) that the *managing agent* cease delegating its authority to determine claims to a *third party administrator*.~~

~~—— Claims Delegation Agreement~~

~~36H. The *Franchise Board* may from time to time prescribe conditions and requirements with which all agreements delegating a *managing agent's* authority to determine claims arising under a contract of insurance entered into under a *binding authority* to a *third party administrator* or any type, class or category of agreement must comply. This may include conditions and requirements relating to information, provisions and terms to be included in that agreement.~~

Part H - Suspension

37. The *Franchise Board* may make a direction or order of suspension in respect of any approved coverholder or approved third party administrator on such terms and subject to such requirements as it may specify when in its opinion such a direction or order appears to be necessary or desirable in the interests of the *Society*, its *members* or policyholders.
38. In respect of an approved coverholder, ~~The~~ terms of a direction or order made by the *Franchise Board* under paragraph 37 may include requirements that the approved coverholder –
- (a) ceases to enter into contracts of insurance on behalf of *members* of a *syndicate* in respect of any or all *binding authorities*;
 - (b) ceases to administer or run-off any contract of insurance entered into by it on behalf of *members* of a *syndicate*;
 - (c) ceases to issue documents evidencing contracts of insurance entered into by it on behalf of *members* of a *syndicate*.
- 38A In respect of an approved third party administrator, the terms of a direction or order made by the *Franchise Board* under paragraph 37 may include requirements that the approved third party administrator ceases to determine claims on behalf of members of a syndicate in respect of any or all third party administrator agreements.

Section 2 Lloyd's Brokers

Commentary (not part of the byelaw):

No changes are presently proposed to the rules that govern to the registration of Lloyd's Brokers other than limited changes to the registration criteria. These changes to the registration criteria are necessary to take account of the United Kingdom's planned departure from the European Union and changes are only required to the Requirements made pursuant to the Intermediaries Byelaw (see separate document). No byelaw changes are therefore required to Section 2 other than a consequential amendment to paragraph 55.

Part I - Registration

Registration

39. The registration of persons as *Lloyd's brokers* and the renewal, review and withdrawal of such registration shall be under the control of the *Franchise Board*.
40. The *Franchise Board* shall maintain a register of *Lloyd's brokers* which shall be in such form and contain such information as the *Franchise Board* may from time to time prescribe.
41. Any *person* who wishes to be registered or re-registered as a *Lloyd's broker* (an "*applicant*") may apply to the *Franchise Board* for its name to be entered or re-entered in the register.
42. Applications shall be made in accordance with such procedures and shall be accompanied by such documents and information as the *Franchise Board* may from time to time prescribe.
43. Subject to this Byelaw, the *Franchise Board* shall have power to –
 - (a) consider any application for entry in the register of *Lloyd's brokers* and any application for re-registration;
 - (b) on the grant of any such application, cause the name of the *applicant* (and all information which the *Franchise Board* may determine in accordance with paragraph 40) to be entered in the register of *Lloyd's brokers*;
 - (c) review the registration of any *Lloyd's broker* in accordance with part K of this Byelaw; and
 - (d) remove the name of any *Lloyd's broker* from the register in accordance with part L of this Byelaw.

44. The registration of a *Lloyd's broker* shall be either for a specific period or for an indefinite period.

Criteria for registration

45. An *applicant* shall not be registered as a *Lloyd's broker* unless the *applicant* has demonstrated to the *Franchise Board's* satisfaction that it is eligible to be a *Lloyd's broker*.
46. In deciding whether an applicant is eligible to be registered as a *Lloyd's broker* the *Franchise Board* may have regard to such criteria as it may from time to time prescribe.

Part J – Additional requirements for Lloyd's Brokers

Terms of business agreements

[47. *deleted by The Legislative Reform (Lloyd's) Order (Market Provisions) Byelaw (No.1 of 2009).*]

Notification to Lloyd's

48. While a *Lloyd's broker* remains on the register of *Lloyd's brokers*, it shall ensure that it remains eligible and shall immediately inform the *Franchise Board* in writing if it knows or believes that it is no longer eligible.

Part K – Review of registration

Power to conduct reviews

49. The *Franchise Board* may at any time order a review of a *Lloyd's broker's* registration under this Byelaw for the purpose of determining –
- (a) whether the *Lloyd's broker* in question continues to be eligible to be registered as a *Lloyd's broker*; or
 - (b) whether there are or may be any grounds for exercising any power of the *Franchise Board*.
50. Any review ordered pursuant to paragraph 49 of this Byelaw may be conducted by such *person* or *persons* as may from time to time be nominated by the *Franchise Board*.
51. A *person* conducting a review of a *Lloyd's broker* may require that it provide such documents and information as that *person* may reasonably require for the purposes of the review.

Part L – Removal from the register

Removal from the register

[52. *deleted by The Legislative Reform (Lloyd's) Order (Market Provisions) Byelaw (No.1 of 2009).*]

53. The *Franchise Board* may at any time remove the name of a registered *Lloyd's broker* from the register if that *Lloyd's broker* –

- (a) ceases in the opinion of the *Franchise Board* to be eligible to be a *Lloyd's broker*;
- (b) registration has expired;
- (c) so requests; or

where the *Franchise Board* considers that it is necessary or desirable in order to protect the name, reputation or standing of the *Society* and of its *members* or their authorisation to conduct insurance business.

Postponed removal

54. Where the *Franchise Board* considers that there are grounds for removing the name of a *Lloyd's broker* from the register under any of the preceding provisions of this paragraph (other than paragraph 52) the *Franchise Board* may, if it considers that there is good reason to do so –

- (a) postpone the removal of the name of the *Lloyd's broker* from the register for such period as the *Franchise Board* may specify from time to time or until the *Franchise Board* shall otherwise determine;
- (b) in connection with such postponement at any time and from time to time give such directions or impose such requirements as it may think fit, including without limitation –
 - (i) a direction or requirement that the *Lloyd's broker* shall not carry on any business or activity, or business or activity of a specified class or description, at Lloyd's; and
 - (ii) a direction or requirement that the *Lloyd's broker* shall not hold itself out as a *Lloyd's broker*.

Permission to broke insurance business after removal

55. Notwithstanding that the name of a *Lloyd's broker* has been removed from the register, the *Franchise Board* may, if it considers that there is good reason to do so, and on such conditions and for such period as it thinks fit, permit –
- (a) that former *Lloyd's broker* to continue to broke insurance business at Lloyd's;
or
 - (b) any other *person* to broke insurance business at Lloyd's on behalf of that former *Lloyd's broker*

for the purposes only of discharging the continuing functions of that former *Lloyd's broker* in connection with insurance contracts and contracts of delegated authority;
~~binding authorities and line slips~~ effected by it or for which it had undertaken responsibility before the date of such removal from the register of *Lloyd's brokers*.

Section 3 Miscellaneous and transitional provisions

Part M – Miscellaneous and transitional provisions

Acceptance of business

[56. *deleted by The Legislative Reform (Lloyd's) Order (Market Provisions) Byelaw (No.1 of 2009).]*

The Franchise Board

57. All references in this Byelaw to the *Franchise Board* shall be deemed to also be references to the *Council*. The *Franchise Board* may exercise all of the powers, discretions and functions set out in this Byelaw as the agent of the *Council*.

Managing agent's obligations (coverholder and third party administrator arrangements)

58. A *managing agent* shall not authorise, permit or cause an approved coverholder or an approved third party administrator to act in contravention of any of the *requirements of the Council*.
59. A *managing agent* shall immediately notify the *Franchise Board* in writing if it knows or believes or has reason to believe that any approved coverholder or approved third party administrator is acting or has acted in contravention of any provision of this Byelaw or of any of the *requirements of the Council*.
60. A *managing agent* shall take all reasonable steps to satisfy itself that an *approved coverholder or approved third party administrator* remains suitable to be approved as such an approved coverholder in accordance with this Byelaw and any requirements as prescribed by the *Franchise Board* prior to the *managing agent* entering into a binding authority or third party administrator agreement with ~~delegating its authority to enter into a contract or contracts of insurance to~~ that *approved coverholder or approved third party administrator*.
61. A *managing agent* shall immediately notify the *Franchise Board* in writing in the event that it knows or believes or has reason to believe that any of the events at paragraph 19 (a) to (c) or (e) ~~or paragraph 28 (a), (c) or (d)~~ has occurred or is likely to occur.

62. Nothing in this Byelaw shall permit a *managing agent* to —
- (a) delegate its authority to enter into a contract of insurance to be underwritten by the members of a syndicate on behalf of a member; or to
 - (b) delegate its authority to issue documents evidencing contracts of insurance underwritten by the members of a syndicate on behalf of a member;
 - (c) delegate its authority to determine claims on contracts of insurance underwritten by the members of a syndicate.

where such delegation would be contrary to the laws, regulations or requirements of the *country* in which the business will be transacted.

Publication

63. The *Franchise Board* may, where appropriate, publish any decision made under this Byelaw in such terms as it sees fit.

Fees

64. Every *applicant* for registration as a Lloyd's Broker shall pay to the *Society* such fees as the *Franchise Board* may from time to time require.
65. Every registered *Lloyd's broker* shall pay to the *Society* such fees as the *Council* may from time to time require.

Divestment

- [66. *deleted by The Legislative Reform (Lloyd's) Order (Market Provisions) Byelaw (No.1 of 2009).*]

Prohibition on unregistered persons broking insurance business at Lloyd's

67. No *person* may broke insurance business at Lloyd's unless registered as a registered *Lloyd's broker* under this Byelaw or a *person* referred to at paragraph 27 of the Underwriting Byelaw as a *person* from or through whom a *managing agent* may accept business on behalf of the members of a *syndicate* which it manages.

Disclosure of information

68. The *Franchise Board* may where necessary or appropriate require a registered *Lloyd's broker* to give its consent to the *Financial Services Authority* or any other insurance intermediary regulator to disclose information which relates to that registered *Lloyd's broker* to the *Franchise Board*.

Revocations and consequential amendments

69. The following Byelaws are revoked –
- (a) The Lloyd's Broker Byelaw (No. 7 of 2004); and
 - (b) The Delegated Underwriting Byelaw (No. 1 of 2004).
70. Every reference in the *requirements of the Council* to the Byelaws referred to at paragraph 69 shall, save where the context otherwise requires, be deemed to be a reference to this Byelaw or, in the case of a definition, to the Definitions Byelaw.
71. The Definitions Byelaw (No. 7 of 2005) is amended by deleting the words “Lloyd's Brokers Byelaw (No.7 of 2004)” and “Delegated Underwriting Byelaw (No.1 of 2004) and substituting therefor a reference to this Byelaw.

Transitional and miscellaneous arrangements

72. The *Franchise Board* shall on 2 April 2007 enter in the register of *approved coverholders*, maintained in accordance with this Byelaw, the name of any person who on 1 April 2007 was an *approved coverholder* in accordance with the Delegated Underwriting Byelaw (No. 4 of 2004).
73. The *Franchise Board* shall on 2 April 2007 enter in the register of *restricted coverholders*, maintained in accordance with this Byelaw, the name of any person who on 1 April 2007 was a *restricted coverholder* in accordance with the Delegated Underwriting Byelaw (No. 1 of 2004).
74. Every *coverholder* which as at 1 April 2007 was subject to a direction, condition or requirement, imposed under paragraph 16 of the Delegated Underwriting Byelaw (No. 1 of 1994) shall from 2 April 2007 be deemed to be subject to a corresponding direction, condition or requirement imposed under paragraph 16 of this Byelaw.

75. Every review of a *coverholder's* approval which as at 1 April 2007 was being conducted pursuant to the terms of paragraph 17 of the Delegated Underwriting Byelaw (No. 1 of 1994) shall from 2 April 2007 be deemed to be a review conducted by the *Franchise Board* in accordance with paragraph 17 of this Byelaw.
76. The *Franchise Board* shall on 2 April 2007 enter in the register of *Lloyd's brokers*, maintained in accordance with this Byelaw, the name of any *person* who on 1 April 2007 was an accredited Lloyd's broker or a provisionally accredited Lloyd's broker in accordance with the Lloyd's Brokers Byelaw (No. 7 of 2004).
- 76A The *Franchise Board* shall on [] enter into the register of *approved third party administrators*, maintained in accordance with this Byelaw, the name of any *person* who on [] had been notified to the *Franchise Board* by one or more *managing agents* in accordance with paragraph 36D (a) of this Byelaw as a third party administrator to whom the *managing agent(s)* intended to delegate authority to determine claims other than where all such *managing agents* have subsequently notified the *Franchise Board* in accordance with paragraph 36D (b) of this Byelaw.

Commentary (not part of the byelaw):

Paragraph 76A provides for the grandfathering arrangements of third party administrators previously notified to Lloyd's so that they will become approved third party administrators under the new framework Lloyd's is putting in place for delegated claims handling, without having to go through an initial approval process. Over a period of time, Lloyd's will review all third party administrators to determine that they remain suitable to be on the register of approved third party administrators.

Supplementary directions, conditions and requirements

77. The *Franchise Board* may at any time give such directions or impose such conditions or requirements as may be necessary in order to clarify or supplement the matter set out in this Byelaw or otherwise to give effect to orderly transitional arrangements.

Commencement

78. This Byelaw shall come into force on 2 April 2007.

Notes

These notes, the note setting out the purpose of this Byelaw and the part and paragraph headings are for guidance only and do not form part of the Byelaw.

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Section 2: Amendments to the Requirements made pursuant to the Intermediaries Byelaw

Commentary (not part of the requirements):

This version of the Requirements has been prepared showing amendments proposed by Lloyd's. Some commentary has been provided to aid an understanding of the key changes - this has been included for the purposes of the consultation only. The commentary does not form part of the byelaw.

Chapter 2 Requirements made under the Intermediaries Byelaw

Section 1 Delegated Underwriting Authority

Delegation of authority – Part A of the Intermediaries Byelaw

Sub-delegation of authority – paragraphs 2, 4 and 4B of the Intermediaries Byelaw

A1 Except where permitted in the ‘Code of Practice – Delegated Authority’, as amended from time to time and in accordance with any conditions and requirements set out there, or where otherwise permitted by the *Franchise Board* –

- (a) no person to whom authority has been delegated to enter into contracts of insurance to be underwritten by the *members* of a *syndicate* in accordance with paragraph 1 (d) or (e) of the Intermediaries Byelaw, other than a *service company coverholder*, shall sub-delegate that authority pursuant to paragraph 2 (b) of the Intermediaries Byelaw.
- (b) no person to whom authority has been delegated to issue documents evidencing contracts of insurance underwritten by the *members* of a *syndicate* in accordance with paragraph 3 (e) or (f) of the Intermediaries Byelaw, other than a *service company coverholder*, shall sub-delegate that authority pursuant to paragraph 4 (b) of the Intermediaries Byelaw.
- (c) no person to whom authority has been delegated to *determine* claims on contracts of insurance underwritten by the *members* of a *syndicate* in accordance with paragraph 4A (d) to (h) of the Intermediaries Byelaw, other than a *service company coverholder*, shall sub-delegate that authority pursuant to paragraph 4B (b) of the Intermediaries Byelaw.

and references in these Requirements to sub-delegation shall, except where the context requires otherwise, apply only to the extent that sub-delegation is not prohibited by this paragraph.

Commentary (not part of the requirements):

Paragraph 2 (sub-delegation of underwriting authority), paragraph 4 (sub-delegation of authority to issue insurance documentation) and paragraph 4B (sub-delegation of authority to determine claims) in the Intermediaries Byelaw as it is proposed to amend those paragraphs now provide a broad permission to sub-delegate authority to any person to whom delegated authority can be given, subject to any restrictions Lloyd's may impose. This changes the position from the current byelaw provisions, which only allow for sub-delegation in a very limited number of cases.

The change is intended to allow Lloyd's to take a more flexible and risk-based approach to sub-delegation.

Lloyd's view of sub-delegation remains, however, that in most cases it will be imprudent to allow unrestricted sub-delegation. It is therefore proposed to include paragraph A1 in these Requirements. This has the effect of prohibiting sub-delegation other than by managing agents and service company coverholders except where Lloyd's further prescribes. The updated 'Code of Practice – Delegated Authority' will provide for the additional circumstances where Lloyd's proposes to allow limited sub-delegation by coverholders.

**Registers of coverholders and registered binding authorities – Part B
of the Intermediaries Byelaw**

Commentary (not part of the requirements):

Part B of the Intermediaries Byelaw as it is proposed to amend it now provides that Lloyd's should maintain a register of approved third party administrators and gives Lloyd's the power to maintain registers of other persons given delegated authority and their contracts of delegated authority.

The proposed changes in this part of the Requirements are consequential to the proposed changes in the Byelaw and remain consistent with Lloyd's current approach. The updated requirements therefore provide that the registers of persons given delegated (or sub-delegated) authority should be available for public inspection. The register of contracts of delegated authority will only be open to inspection by those with an interest in the contract. This part also provides requirements for who can register details.

In practice, this will administratively be dealt with through Chorus, the replacement for BAR and ATLAS.

Format and content of the registers - paragraph 6 of the Intermediaries Byelaw

1. The registers ~~of approved coverholders and registered binding authorities~~ to be established and maintained pursuant to paragraph 5 of the Intermediaries Byelaw shall be held electronically on the system the *Franchise Board* operates for that purpose.

Inspection of the registers - paragraph 7 of the Intermediaries Byelaw

2. Any person may inspect the register of —
 - (a) approved coverholders;
 - (b) approved third party administrators; and
 - (c) those prescribed classes or categories of persons to whom the Franchise Board has permitted authority to be delegated or sub-delegated in accordance with paragraphs 1 to 4B.
3. ~~Any approved coverholder, managing agent and any Lloyd's broker which is a party to a registered binding authority or any Lloyd's broker which arranged or broked that registered binding authority~~ The following persons may inspect the part of the register of ~~registered binding authorities~~ prescribed classes or categories of contracts of delegated authority which relates to that ~~registered binding authority~~ contract of

delegated authority –

- (a) the managing agent of the syndicate that underwrites or is to underwrite the contracts of insurance in respect of which authority has been delegated or sub-delegated in accordance with that contract of delegated authority;
- (b) a person which is a party to that contract of delegated authority; and
- (c) a Lloyd's broker which arranged or broked that contract of delegated authority.

Registration of persons required to be registered in accordance with paragraph 5 (c) - paragraph 7B of the of the Intermediaries Byelaw

3A. A person required to be registered in accordance with paragraph 5 (c) of the Intermediaries Bylaw may only be registered by –

- (a) the managing agent of the syndicate that underwrites or is to underwrite the contracts of insurance in respect of which authority has been delegated or sub-delegated in accordance with that contract of delegated authority;
- (b) such other classes or category of persons as the Franchise Board may notify from to time.

3B. Registration of a person required to be registered in accordance with paragraph 5 (c) shall be by means of the electronic system the Franchise Board operates for that purpose.

Registration of contracts of delegated authority - paragraph 7F of the of the Intermediaries Byelaw

3C. A contract of delegated authority may only be registered by –

- (a) the managing agent of the syndicate that underwrites or is to underwrite the contracts of insurance in respect of which authority has been delegated or sub-delegated in accordance with that contract of delegated authority;
- (b) such other classes or category of persons as the Franchise Board may notify from to time.

3D. Registration of a contract of delegated authority shall be by means of the electronic system the Franchise Board operates for that purpose.

**Approved ~~c~~overholders and approved third party administrators - Part C
of the Intermediaries Byelaw**

Applications for approval - paragraphs 8 and 9 of the of the Intermediaries Byelaw

4. An *applicant* shall apply to the *Franchise Board* for approval as an ~~its name to be entered in the register of approved coverholders~~ or approved third party administrator by completing the relevant parts of the appropriate form of application which shall be completed and submitted by means of the electronic system the *Franchise Board* operates for that purpose or by such other means as the *Franchise Board* may permit.
5. Any *applicant*, which is not a *Lloyd's broker*, must be sponsored by a *Lloyd's broker* or a *managing agent* ("the *sponsor*"). The *sponsor* shall complete the relevant part of the appropriate form of application.

Approval – paragraph 13 of the of the Intermediaries Byelaw

6. In deciding whether an *applicant* is suitable to be an *approved coverholder* or approved third party administrator the *Franchise Board* shall, taking into account the particular characteristics of the *applicant's* business, have regard to the following criteria and all other relevant matters –
 - (a) whether the *applicant* is a competent, proficient and capable organisation and in considering that the *Franchise Board* may have regard to the following matters –
 - (i) the *applicant's* compliance with appropriate principles of good corporate governance;
 - (ii) the *applicant's* membership of any body or organisation that the *Franchise Board* considers to be necessary or desirable;
 - (iii) the quality and adequacy of the *applicant's* human resources including –
 - (i) the competence, reputation, character and suitability of the *applicant's* directors, officers and staff; and

- (ii) the knowledge and experience of the *applicant's* directors, officers and staff of the conduct and regulation of insurance business in the Lloyd's insurance market and in any other relevant jurisdiction;
- (iv) the quality and adequacy of the *applicant's* other resources including the quality and adequacy of the applicant's –
 - (i) systems, procedures, protocols and arrangements for the conduct of its business;
 - (ii) resources to comply with appropriate service standards for its customers;
 - (iii) resources to comply with such principles and standards for the conduct or administration of insurance business in the Lloyd's insurance market as the *Franchise Board* may from time to time prescribe, recognise or endorse; and
 - (vi) resources and systems for *underwriting* administration ~~and or, as applicable, for the administration and agreement~~ determination of claims;
- (v) the quality and adequacy of the *applicant's* controls and procedures to manage its business including –
 - (i) the *applicant's* arrangements for identifying, resolving or managing conflicts of interest;
 - (ii) the *applicant's* procedures for its conduct with customers (including procedures to ensure a fair outcome for consumers); and
 - (iii) the quality and adequacy of the *applicant's* controls and procedures for the management of *underwriting* risk, for the management of the ~~administration and agreement~~ determination of claims and for the handling and recording of complaints;
- (vi) the nature of the *applicant's* business including, in the case of an applicant to be an approved coverholder, its past, present and forecast *underwriting* performance;
- (b) whether the *applicant* is of appropriate reputation and standing;
- (c) whether any person who *controls* the *applicant* or who is connected or associated with the *applicant* is of appropriate reputation and standing;
- (d) whether the *applicant* has adequate capital and financial resources;
- (e) whether the *applicant* has adequate professional indemnity insurance;

- (f) whether the *applicant* is capable and willing to comply with the terms of any undertaking given by it to the *Franchise Board*; and
 - (g) whether the *applicant* possesses all the licences, approvals or authorisations in order to act as an *approved coverholder* or *approved third party administrator* wherever it will conduct insurance business in that capacity.
7. A *managing agent* that intends to enter into a *binding authority* or *third party administrator agreement* with the *applicant* must, in accordance with paragraph 15 (b) of the Intermediaries Byelaw, complete the declaration or provide such other confirmation as the *Franchise Board* may require.

Commentary (not part of the requirements):

This part includes the criteria Lloyd's applies to assess the suitability of coverholders. To ensure a consistent approach, it is proposed that the same criteria should be adopted for the approval of third party administrators.

[8, 9. Deleted by the Intermediaries (Restricted Coverholder Revocation) Amendment Byelaw (No.1 of 2014).]

Binding Authorities Contracts of delegated authority - Part E of the Intermediaries Byelaw

Requirements relating to binding authorities - paragraph 30 of the of the Intermediaries Byelaw

10. Every ~~registered~~ *binding authority* (other than a *registered binding authority* that authorises a *coverholder* to enter into a contract of insurance where the contract is in respect of *motor business*) shall contain the following information, provisions and terms and comply with the following conditions and requirements –
- (a) an agreement number by which the *binding authority* can be identified;
 - (b) the name and address of each approved coverholder which is a party to the *binding authority*;
 - (c) the name and address of each *Lloyd's broker* which is a party to the *binding authority* or which arranged or broked the *binding authority*;
 - (d) the syndicate or syndicates on whose behalf each *managing agent* is delegating authority to enter into contracts of insurance (the “*syndicates*”);
 - (e) the period of the *binding authority* which shall be no greater than 36 months from the date of inception of the *binding authority* in total, subject to *binding authorities* which have periods greater than 18 months must comply with the requirements prescribed for the writing of multi-year *binding authorities* set out in Market Bulletin Y4931;
 - (f) the name of the approved coverholder's director or partner who is directly responsible, on behalf of the approved coverholder, for the overall operation and control of the *binding authority*;
 - (g) the names of the approved coverholder's directors, partners or employees who will have principal authority to enter into contracts of insurance under the *binding authority*;
 - (h) the names of the approved coverholder's directors, partners or employees (if any) who will have principal authority to issue documents evidencing contracts of insurance under the *binding authority*;
 - (i) the name of any *person* who will have principal authority to ~~agree~~ determine claims made on contracts of insurance entered into or to be administered by the approved coverholder under the *binding authority*;

Commentary (not part of the requirements):

It is proposed to amend the requirements for binding authorities (as set out in sub-paragraphs (g), (h) and (i)) so that now only the name of the individual with principal authority for binding policies, issuing documents and/or determining claims needs to be stated in the binding authority. It will no longer be required to list all individuals with authority.

- (j) a precise description of the nature or classification of the contracts of insurance that the *approved coverholder* will be authorised to enter into under the ~~registered~~ *binding authority* and any relevant exclusions and limitations;
- (k) a list of the terms and conditions which must be incorporated in contracts of insurance entered into under the *binding authority* including -
 - (i) relevant wordings, exclusions and limitations;
 - (ii) the maximum period of cover;
 - (iii) the limits of liability (other than where inclusion of such a limit would be contrary to any applicable law); and
 - (iv) any applicable territorial wordings or general cover conditions as prescribed or endorsed by the *Franchise Board*;
- (l) the maximum aggregate premium income limit in respect of all contracts of insurance that the *approved coverholder* may enter into under the *binding authority*;
- (m) the maximum limits of liability in respect of contracts of insurance that the *approved coverholder* may enter into under the *binding authority*;
- (n) the territorial limitations on the *approved coverholder's* authority under the *binding authority*;
- (o) provisions requiring the *approved coverholder* to report in respect of all premiums, paid claims, outstanding claims and expenses in respect of contracts of insurance entered into by class or category by the *approved coverholder* under the *binding authority*;
- (p) provisions setting out how and when the payment and settlement of monies due from each of the parties to the *binding authority* should be made;
- (q) provisions for the cancellation and termination of the *binding authority* including provisions that enable the *binding authority* to be terminated upon the *Franchise Board* giving such direction or order to the *managing agent* or *approved coverholder*;
- (r) provisions relating to the ongoing obligations of the *approved coverholder* in the event that the *binding authority* expires or is terminated or cancelled for any reason; ~~and~~
- (s) provisions setting out the jurisdiction and governing law for the settlement of disputes arising from the *binding authority*;
- (t) provisions setting out any business continuity or disaster recovery arrangements of the *approved coverholder*;
- (u) provisions to require the *approved coverholder* to produce to the *Franchise Board* or to any relevant regulatory body any information, documents, books, records and other materials which, in the opinion of the *Franchise Board* or the relevant regulatory body relate or purport to relate to the operation of the

binding authority and to give to the *Franchise Board* or to any relevant regulatory body all reasonable facilities in its premises for the purpose of examining such materials;

- (v) the manner or basis for the calculation of premiums, discounts, commissions, brokerages, fees, charges and expenses; and-
- (w) provisions setting out if the *approved coverholder* has authority and, if so, the scope of any such authority to sub-delegate in accordance with a *contract of delegated authority*.

Commentary (not part of the requirements):

As it is proposed that sub-delegation by coverholders will be permitted in limited circumstances, new sub-paragraph (w) provides that any authority to permit a coverholder to sub-delegate must be addressed in the binding authority. Any authority given to a coverholder will, of course, need to be consistent with the permissions given by Lloyd's to that coverholder to sub-delegate.

[10A, 11, 12. Deleted by the *Intermediaries (Restricted Coverholder Revocation) Amendment Byelaw (No.1 of 2014)*.]

Requirements relating to line slips and consortium agreements - paragraph 30 ~~of the~~ of the Intermediaries Byelaw

12A. Every *line slip* and consortium agreement shall contain the following information, provisions and terms and comply with the following conditions and requirements –

- (a) a reference number or other method of identification by which the *line slip* or consortium agreement can be identified;
- (b) in the case of line slips, the name and address of the *Lloyd's broker* responsible for placing or administering the *line slip*;
- (c) the *syndicate* or *syndicates* on whose behalf each *managing agent* is delegating authority to enter into contracts of insurance (the “*syndicates*”) and (if any) the authorised insurance companies that are delegating authority to enter into contracts of insurance;
- (d) the *managing agent* or (if a line slip) authorised insurance company that is authorised to enter into contracts of insurance under the *line slip* or consortium agreement (the “*slip leader*”);
- (e) the period of the *line slip* or consortium agreement which shall be no greater than 18 months from the date of inception ~~of the line slip in total~~;
- (f) the maximum aggregate premium income limit in respect of all contracts of insurance that the *slip leader* may enter into ~~under the line slip~~;

- (g) the maximum limits of liability in respect of contracts of insurance that the *slip leader* may enter into ~~under the line slip~~;
- (h) the territorial limitations on the *slip leader's* authority ~~under the line slip~~;
- (i) provisions to ensure that each of the parties to the *line slip or consortium agreement* receive an appropriate level of information relating to the operation of the line slip or consortium agreement and of including, in respect of each contract of insurance entered into, including any amendments to thereto ~~under the line slip, details of the name of the insured, the sum insured, the premium charged and the period of the contract of insurance~~;
- (ia) provisions setting out the authorities given under the line slip or consortium agreement to agree amendments to any contracts of insurance that may be entered into;
- (j) provisions setting out how and when the payment and settlement of monies due from each of the parties to the *line slip or consortium agreement* should be made;
- (k) provisions for the amendment, cancellation and termination of the *line slip or consortium agreement* by the parties ~~to the line slip~~;
- (l) provisions setting out the jurisdiction and governing law for the settlement of disputes arising from the *line slip or consortium agreement*;
- (m) a precise description of the nature or classification of the contracts of insurance that the *slip leader* will be authorised to enter into ~~under the line slip~~ and any relevant exclusions and limitations; and
- (n) the manner or basis for the calculation of premiums, discounts, commissions, brokerages, fees, charges and expenses.

Commentary (not part of the requirements):

Line slips and consortia are similar arrangements as they are both delegations of underwriting from one or more managing agent(s) to another managing agent. (In the case of line slips there can also be delegation of authority to another insurer.) Because of the similarity of the arrangements Lloyd's considers that the requirements that presently apply to line slips should also apply to consortium agreements and it is proposed to amend paragraph 12A accordingly. Note that only line slips need to include the details of the broker as the involvement of a single broker is generally the distinguishing feature of line slips.

Requirements relating to third party administrator agreements - paragraph 30 of the Intermediaries Byelaw

13. Every *third party administrator agreement* and every *contract of delegated authority* delegating a *managing agent's* authority to an *approved coverholder* to *determine claims arising under contracts of insurance entered into or being administered by that*

approved coverholder in accordance with the terms of a binding authority shall contain the following information, provisions and terms and comply with the following conditions and requirements –

- (a) an agreement number by which the agreement can be identified;
- (b) the name and address of each party to the agreement including the *syndicate* or *syndicates* on whose behalf each *managing agent* is delegating authority to *determine* claims arising under contracts of insurance;
- (c) the functions, duties and responsibilities of the *approved coverholder* or the *approved third party administrator* that are relevant to its authority to *determine* claims. This shall include –
 - i. the level of the *approved coverholder's* or the *approved third party administrator's* authority to *determine* claims (including the circumstances in which a claim shall be referred to the *managing agent*);
 - ii. details of the *approved coverholder's* or the *approved third party administrator's* responsibility to investigate claims and where appropriate appoint external experts (including the circumstances in which the decision to appoint an external expert shall be referred to the *managing agent*) and take steps to ensure claims are defended as appropriate and to seek to make any recoveries;
 - iii. details of the *approved coverholder's* or the *approved third party administrator's* responsibility to assess and review claim estimates;
 - iv. details of any applicable service levels or standards (including service standards for dealing with complaints and enquiries) where those service levels or standards shall be consistent with any applicable minimum standards prescribed by the *Franchise Board* from time to time;
- (d) details of the manner by which any insurance monies are to be held, maintained and properly safeguarded;
- (e) provisions requiring the *approved coverholder* or the *approved third party administrator* or any of its directors or staff to meet any relevant professional competence standards;
- (f) provisions requiring the *approved coverholder* or the *approved third party administrator* to maintain records and documents in such manner and for such period as the *managing agent* may require or as may be required by any applicable legal or regulatory provision;
- (g) provisions regarding the maintenance and security of confidential information;
- (h) provisions requiring the *approved coverholder* or the *approved third party administrator* to report to the *managing agent* in respect of paid claims.

outstanding claims and expenses in such form and at such intervals as the *managing agent* may determine (taking into account any minimum standards the *Franchise Board* may from time to time make);

- (i) provisions requiring the *approved coverholder* or the *approved third party administrator* to produce to the *managing agent* or to any auditor or agent appointed by the *managing agent* any information, documents, books, records and other materials which, in the opinion of the *managing agent* relate or purport to relate to the operation of the agreement and to co-operate with the *managing agent*, auditor or agent;
- (j) provisions requiring the *approved coverholder* or the *approved third party administrator* to produce to any relevant regulatory body any information, documents, books, records and other materials which in the opinion of the relevant regulatory body relate or purport to relate to the operation of the agreement;
- (k) provisions requiring the *approved coverholder* or the *approved third party administrator* to notify the *managing agent* of any –
 - i. complaint or actual, pending or potential litigation;
 - ii. circumstance or development that may materially impact upon its ability to perform its functions under the claims agreement effectively and in compliance with applicable laws and regulations;
- (l) provisions for the cancellation and termination of the agreement;
- (m) provisions relating to the ongoing obligations of the *approved coverholder* or the *approved third party administrator* in the event that the agreement expires or is terminated or cancelled for any reason;
- (n) provisions setting out if the *approved coverholder* or *approved third party administrator* has authority and, if so, the scope of any such authority to sub-delegate in accordance with a *contract of delegated authority*;
- (o) provisions prohibiting the *approved coverholder* or the *approved third party administrator* from subcontracting or assigning any of its rights, powers, functions or obligations under the agreement without the prior consent of the *managing agent*; and
- (p) the jurisdiction and governing law that relates to the operation of the agreement.

Commentary (not part of the requirements):

Paragraph 13 sets out the proposed requirements for third party administrator agreements. Sub-paragraph (n) is a new addition but otherwise the requirements remain the same as those that presently apply, as set out in the current paragraph 17B of the Requirements, which will be replaced by this paragraph.

14. The terms of the agreement referred to in paragraph 13 may be set out in one or more contractual documents.

~~Registration of registered binding authorities – paragraphs 32 and 33 of the of the Intermediaries Byelaw~~

13. ~~A *binding authority* may only be registered by –~~

- ~~(a) – a *Lloyd's broker* which is a party to the *binding authority* or which arranged or broked the *binding authority*; or~~
- ~~(b) – a *managing agent* which is a party to the *binding authority*.~~

14. ~~Registration of a *binding authority* shall be in accordance with the electronic system the *Franchise Board* operates for that purpose. The address of that web site (the Binding Authority Registration (BAR) website) is <https://www.coverholders.lloyds.com>~~

Commentary (not part of the requirements):

These paragraphs are now replaced by paragraphs 3C and 3D.

**Requirements for insurance documentation – Part F
of the Intermediaries Byelaw**

Requirements relating to insurance documentation issued under a binding authority -
Paragraph 35 of the Intermediaries Byelaw

15. Insurance documentation evidencing contracts of insurance issued by an *approved coverholder* under a ~~registered~~ *binding authority* shall include the following information, provisions and terms -
 - (a) the name and address of the *approved coverholder*;
 - (b) all relevant terms and conditions that relate to the contract of insurance entered into by the *approved coverholder* including:
 - (i) relevant wordings, exclusions and limitations;
 - (ii) the maximum period of cover;
 - (iii) the limits of liability (other than where inclusion of such a limit would be contrary to any applicable law); and
 - (iv) any applicable excess or deductible,
 - (c) the amount of the premium and any other information relating to the cost of the contract of insurance that is required by applicable laws or requirements to be disclosed;
 - (d) information about the procedures for handling claims arising under the contract of insurance and for the resolution of complaints;
 - (e) a unique contract number;
 - (f) provisions that explain the several liability of the *members* of the *syndicate* underwriting the contract of insurance;
 - (g) other information as the policyholder may properly require;
 - (h) the law and jurisdiction applicable to the contract of insurance; and
 - (i) any other provisions required under the laws or requirements of the jurisdiction in which the contract was concluded, where the insured is domiciled or of any other relevant jurisdiction and any other provisions as required by the relevant representative or agent of the *Society*.
16. An *approved coverholder* under a ~~registered~~ *binding authority* may only issue insurance documentation evidencing contracts of insurance in which a proportion of the risk is to be accepted by insurers other than *members* (a “*combined certificate*”) provided that:

- (a) each *managing agent* that is a party to the *binding authority* has agreed to the issue of *combined certificates*;
- (b) the *combined certificate* includes all the details that are required to be included in insurance documentation evidencing contracts of insurance that are issued by an *approved coverholder* under a ~~registered~~ *binding authority*;
- (c) the proportion or amount of risk accepted by Lloyd's ~~underwriters~~ *syndicates* is expressly stated on the *combined certificate* and is specified separately from the proportion or amount of risk accepted by other insurers;
- (d) the *combined certificate* contains the following appropriate several liability statement in accordance with Market Bulletin Y4133
~~(Binding Authorities US and non US Combined joint certificates issued by coverholders)~~ dated 11 March 2008; and
- (e) the issuance of *combined certificates* has been confirmed as an acceptable practice by the general representative in the country in which their issuance is required or, in the absence of such a general representative, by the *Franchise Board*,

save that nothing in this paragraph shall permit a *combined certificate* to be issued in circumstances where that would contravene any relevant territorial general cover condition or would contravene any requirements of the jurisdiction in which the *approved coverholder* is domiciled, or any other jurisdiction in which the *approved coverholder* trades, provides services or does business.

Third party administrators – Part G of the Intermediaries Byelaw

Commentary (not part of the requirements):

This part of the Requirements currently sets out various requirements for the delegation of claims authority. As it is proposed to adopt a new Lloyd's framework for delegated claims handling oversight these requirements will no longer apply and it is proposed to delete them. The requirements in paragraph 17B will, however, remain the requirements for third party administrator agreements – see paragraph 13 above.

Deleted by the Intermediaries () Amendment Byelaw (No. X of 2019).]

Paragraph 36A(h) of the Intermediaries Byelaw

Suitability criteria

- ~~17A — The criteria to be applied by a *managing agent* in determining whether a firm is suitable to be appointed as a *third party administrator* are whether the firm —~~
- ~~(a) — is a competent, proficient and capable organisation (taking into account the needs of the *managing agent* and of the *members* of its managed *syndicate*);~~
 - ~~(b) — has suitable resources for the determination of claims and for handling complaints including resources to ensure compliance with the terms of the *claims agreement* and any appropriate service standards;~~
 - ~~(c) — has suitable internal procedures and processes for the administration and agreement of claims (including procedures for the appointment of experts, complaints handling, litigation management and file retention) and that those are properly documented and made available to all relevant directors, officers and staff;~~
 - ~~(d) — has suitable systems and procedures to report to the *managing agent* in respect of its performance of its obligations under the *claims agreement*;~~
 - ~~(e) — is able on a timely basis to properly assess and review claim estimates;~~
 - ~~(f) — has suitable arrangements for identifying, resolving or managing conflicts of interest. This includes where the firm or any of its directors, officers or staff have or will have authority to enter into contracts of insurance or have or will have any financial interest in an entity that may give rise to circumstances that may constitute a conflict of interest);~~
 - ~~(g) — has suitable and effective risk management (including business continuity and succession plans), internal control and internal audit processes;~~

- (h) ~~has directors, officers and relevant staff of suitable competence, reputation and character;~~
- (i) ~~or any controller of the firm is of appropriate reputation and standing;~~
- (j) ~~has adequate professional indemnity insurance and whether there are any circumstances regarding the *candidate's* professional indemnity insurance history that may be relevant to the *candidate's* suitability;~~
- (k) ~~has adequate capital and financial resources;~~
- (l) ~~has suitable procedures in place to ensure that insurance monies (money relating to premiums, return premiums and claims) are properly safeguarded;~~
- (m) ~~the candidate maintains appropriate levels of data security and that it complies with any applicable data protection legislation; and~~
- (n) ~~possesses any necessary licences, approvals or authorisations in order to act as an *third party administrator* wherever it will conduct business in that capacity.~~

Paragraph 36H of the Intermediaries Byelaw

~~Content of claims agreements~~

~~17B. Every agreement delegating a *managing agent's* authority to determine claims arising under contracts of insurance to a *coverholder* or to *third party administrator* shall contain the following information, provisions and terms and comply with the following conditions and requirements—~~

- (a) ~~an agreement number by which the agreement can be identified;~~
- (b) ~~the name and address of each party to the agreement including the syndicate or syndicates on whose behalf each *managing agent* is delegating authority to determine claims arising under contract of insurance;~~
- (c) ~~the functions, duties and responsibilities of the *coverholder* or the *third party administrator* that are relevant to its authority to determine claims. This shall include—~~
 - i. ~~the level of the *coverholder's* or the *third party administrator's* authority to determine claims (including the circumstances in which a claim shall be referred to the *managing agent*);~~
 - ii. ~~details of the *coverholder's* or the *third party administrator's* responsibility to investigate claims and where appropriate appoint external experts (including the circumstances in which the decision to appoint an external expert shall be referred to the *managing agent*) and take steps to ensure claims are defended as appropriate and to seek to make any recoveries;~~

- iii. ~~details of the *coverholder's* or the *third party administrator's* responsibility to assess and review claim estimates;~~
- iv. ~~details of any applicable service levels or standards (including service standards for dealing with complaints and enquiries) where those service levels or standards shall be consistent with any applicable Lloyd's minimum standards;~~
- (d) ~~details of the manner by which any insurance monies are to be held, maintained and properly safeguarded;~~
- (e) ~~provisions requiring the *coverholder* or the *third party administrator* or any of its directors or staff to meet any relevant professional competence standards;~~
- (f) ~~provisions requiring the *coverholder* or the *third party administrator* to maintain records and documents in such manner and for such period as the *managing agent* may require or as may be required by any applicable legal or regulatory provision;~~
- (g) ~~provisions regarding the maintenance and security of confidential information;~~
- (h) ~~provisions requiring the *coverholder* or the *third party administrator* to report to the *managing agent* in respect of paid claims, outstanding claims and expenses in such form and at such intervals as the *managing agent* may determine (taking into account any minimum standards the *Franchise Board* may from time to time make);~~
- (i) ~~provisions requiring the *coverholder* or the *third party administrator* to produce to the *managing agent* or to any auditor or agent appointed by the *managing agent* any information, documents, books, records and other materials which, in the opinion of the *managing agent* relate or purport to relate to the operation of the agreement and to co-operate with the *managing agent*, auditor or agent;~~
- (j) ~~provisions requiring the *coverholder* or the *third party administrator* to produce to any relevant regulatory body any information, documents, books, records and other materials which in the opinion of the relevant regulatory body relate or purport to relate to the operation of the agreement;~~
- (k) ~~provisions requiring the *coverholder* or the *third party administrator* to notify the *managing agent* of any—~~
 - i. ~~complaint or actual, pending or potential litigation;~~
 - ii. ~~circumstance or development that may materially impact upon its ability to perform its functions under the claims agreement effectively and in compliance with applicable laws and regulations;~~
- (l) ~~provisions for the cancellation and termination of the agreement;~~

- ~~(m) — provisions relating to the ongoing obligations of the *coverholder* or the *registered third party administrator* in the event that the agreement expires or is terminated or cancelled for any reason;~~
- ~~(n) — provisions prohibiting the *coverholder* or the *third party administrator* from subcontracting or assigning any of its rights, powers, functions or obligations under the agreement without the prior consent of the *managing agent*;~~
- ~~(o) — the jurisdiction and governing law that relates to the operation of the agreement. —~~

~~17C. — The terms of the agreement referred to in paragraph 17B may be set out in one or more contractual documents.~~

Section 2 Brokers

Registration – Part I of the Intermediaries Byelaw (and paragraph 27 of the Underwriting Byelaw)

Commentary (not part of the requirements):

The changes to the registration criteria for Lloyd's Brokers proposed are necessary to take account of the United Kingdom's planned departure from the European Union.

Paragraph 46 of the Intermediaries Byelaw and Paragraph 27 (i) (i) of the Underwriting Byelaw.

18. The criteria to be applied in respect of a *person* established in ~~a member state of the European Union~~ the United Kingdom are that it –
 - (a) is authorised by the *Financial Conduct Authority* with the permissions required to undertake the activities of an insurance intermediary registered with a competent authority for the purposes of the European Parliament and Council Directive of 9 December 2002 on insurance mediation (No.2002/92/EC)(the “Directive”);
 - (b) is able and willing to enter into an agreement with each *managing agent* with whom it intends to place business recording the general terms and conditions on which business will be conducted between them;
 - (c) has adequate, suitable and compatible systems, protocols and arrangements for the conduct of business in the London insurance market;
 - (d) has suitable procedures in place to ensure that insurance monies (money relating to premiums, return premiums and claims) are properly safeguarded;
 - (e) has adequate professional indemnity insurance; and
 - (f) can demonstrate its ability to comply with any other criteria that the *Franchise Board* may from time to time prescribe,

and regard shall be had to any guidance the *Franchise Board* may issue from time to time in respect of the application of the above criteria as published in ‘Becoming a registered Lloyd's Broker – A Guide for Applicants’. ~~(See Section 3 of the “*Guide for Applicants*” at http://www.lloyds.com/The_Market/I_am_a_Broker_Agent/How_to_become_a_Lloyds_Registered_Broker and http://www.lloyds.com/The_Market/Tools_and_Resources/Resources/Managing_Agents_dealing_with_non_Lloyds_brokers)~~

19. The criteria to be applied in respect of a *person* not established in the United Kingdom ~~a member state of the European Union~~ are that it –
 - (a) either –

- (i) is registered or approved by a regulator or other statutory body that requires the intermediary or broker to meet professional requirements in relation to its competence, good repute and financial capacity equivalent to those ~~provided for in the Directive~~ required by the *Financial Conduct Authority for persons authorised as insurance intermediaries in the United Kingdom*; or
 - (ii) can demonstrate that it meets professional requirements in relation to its competence, good repute and financial capacity equivalent to those required by the *Financial Conduct Authority for persons authorised as insurance intermediaries in the United Kingdom* ~~provided for in the Directive~~;
- (b) satisfies the criteria at paragraph 18(b) to (f) above; and
- (c) can demonstrate that it is capable and suitable to transact business having regard to such following criteria and any other relevant matter –
- (i) whether the *person* possesses appropriate knowledge and ability to conduct *insurance business* in the London insurance market;
 - (ii) whether the *person* and its directors, employees and controllers or partners in it are of good repute;
 - (iii) the adequacy of the capital and financial resources of the *person*;
 - (iv) whether the *person* complies with all laws, rules and fiscal requirements applicable to it as an insurance intermediary wherever it is established and wherever it conducts or will conduct business.

and regard shall be had to any guidance the *Franchise Board* may issue from time to time in respect of the application of the above criteria as published in ‘Becoming a registered Lloyd’s Broker – A Guide for Applicants’.

Requirements made under paragraph 46 of the Intermediaries Byelaw (registration of Lloyd’s brokers)

20. In determining whether an applicant should be registered as a *Lloyd’s broker* the *Franchise Board* shall have regard to the criteria at paragraphs 18 to 19 above of these requirements save that the *Franchise Board* may, where it considers it appropriate, disapply, amend or add to these criteria as it considers appropriate.

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Section 3: Amendments to the Definitions Byelaw and consequential amendments

This section shows proposed changes to the Definitions Byelaw and required consequential changes to other byelaws.

Proposed changes to definitions in the Definitions Byelaw

New Definitions

Insert into the Definitions Byelaw the following new definitions:

“approved third party administrator” means a company or partnership authorised to *determine* claims on contracts of insurance underwritten by the *members* of a *syndicate* in accordance with the terms of a *third party administrator agreement* and which has been approved to act as an *approved third party administrator* in accordance with the Intermediaries Byelaw (No. 3 of 2007);

“consortium agreement” means a *contract of delegated authority* (other than a *line slip*) by which a *managing agent* delegates its authority to enter into a contract or contracts of insurance to be underwritten by the *members* of a *syndicate* managed by it to another *managing agent*;

“contract of delegated authority” means any agreement (including a *binding authority*, a *consortium agreement*, a *line slip* and a *third party administrator agreement*) under which authority is delegated or sub-delegated –

- (a) to enter into contracts of insurance to be underwritten by the *members* of a *syndicate*,
- (b) to issue documents evidencing contracts of insurance underwritten by the *members* of a *syndicate*; or
- (c) to *determine* claims on contracts of insurance underwritten by the *members* of a *syndicate*;

“determine” in relations to claims means all claims handling activities necessary in order to (i) accept or deny a claim in whole or in part; (ii) agree any amount payable; or (iii) resolve finally any open matter by agreement or, if necessary, dispute resolution;

“third party administrator agreement” means a *contract of delegated authority* with an *approved third party administrator* to delegate authority to the *third party administrator* to *determine* claims on a contract or contracts of insurance underwritten by the *members* of a *syndicate*, in accordance with the terms of the agreement;

Definitions to be deleted

Delete the following definitions: “coverholder”, “registered binding authority” and “third party administrator”.

Definitions to be amended

Delete the definition of “approved coverholder” and replace with the following:

“approved coverholder” means a company or partnership authorised to enter into a contract or contracts of insurance to be underwritten by the *members* of a *syndicate* in accordance with the terms of a *binding authority* and which has been approved to act as an *approved coverholder* in accordance with the Intermediaries Byelaw (No. 3 of 2007);

Delete the definition of “binding authority” and replace with the following:

“binding authority” means a *contract of delegated authority* with an *approved coverholder* to delegate authority to the *approved coverholder* to enter into a contract or contracts of insurance to be underwritten by the *members* of a *syndicate* in accordance with the terms of the agreement;

Amend the definition of “line slip” by deleting the first reference to “agreement” and replace with “*contract of delegated authority*”;

Proposed consequential amendments to other byelaws

Underwriting Byelaw

Amend the Underwriting Byelaw, paragraph 27 –

by deleting the word “registered” in sub-paragraph (c); and

by deleting the words

“[(d) deleted by the Intermediaries (Restricted Coverholder Revocation) Amendment Byelaw (No. 1 of 2014)]”

and replacing with a new paragraph (d) as follows

“through a *person* to whom the *Franchise Board*, pursuant to paragraph 1 (e) of the Intermediaries Byelaw (No. 3 of 2007), has permitted a *managing agent* to delegate its authority to enter into contracts of insurance to be underwritten by the *members* of a *syndicate* managed by it, in accordance with the terms of a *contract of delegated authority*.”

Insurance Certificates Byelaw

Amend the Insurance Certificates Byelaw by adding the word “approved” before the word “coverholder” in each case other than in headings, the Contents and the introductory Notes.