

# Market Bulletin

Ref: Y5213

**Title** Lloyd's Brussels – New Crystal content, Stamp Decision Tool and policy documentation templates.

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**Purpose** To advise the market of the new Crystal content and Lloyd's regulatory guidance tools that have been developed for use when writing business on behalf of Lloyd's Brussels and to provide guidance on the use of those tools and the new suite of policy documentation templates.

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**Type** Event

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**Date** 18 October 2018

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**Deadline** With effect from 1 January 2019

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**Related links** [Lloyds.com](http://Lloyds.com)  
[Minimum Standards MS10 on Regulatory Standards](#)  
[Risk Locator guidance and tool](#)  
[Crystal](#)  
[Stamp Decision Tool](#)  
[MRC \(Open Market\) Guidance –Supplementary Addendum](#)  
[Lloyd's Wordings Repository](#)

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## Background

Since the UK voted to leave the European Union, Lloyd's has been working to provide the market with an effective solution that ensures customers can continue to access Lloyd's underwriting expertise for European Economic Area (EEA) risks.

Lloyd's has therefore established a new insurance company based in Brussels (Lloyd's Insurance Company S.A., known as Lloyd's Brussels), to ensure that Lloyd's underwriters can continue to access risks located in EEA countries. Authorised and regulated by the National Bank of Belgium and regulated by the Financial Services and Markets Authority, Lloyd's Brussels is a fully regulated

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insurance company with a robust corporate structure, compliant with the regulator's requirements and capitalised according to Solvency II rules. With effect from 1 January 2019, Lloyd's Brussels will write non-life insurance business and non-life reinsurance (facultative only) business from EEA countries, enabling partners and policyholders to retain access to the underwriting expertise of the Lloyd's market.

### **Agreements between Lloyd's Brussels and Lloyd's market participants**

There are three types of agreements that Lloyd's managing agents or coverholders will have to enter into in order to underwrite or bind business on behalf of Lloyd's Brussels.

#### *Managing Agent Outsourcing Agreement*

The Managing Agent Outsourcing Agreement is the agreement between Lloyd's Brussels and a managing agent by which Lloyd's Brussels grants authority to the managing agent to carry out certain activities on its behalf. In particular, and subject to the terms of the Agreement, the managing agent is given authority to underwrite insurance business on behalf of Lloyd's Brussels and to make claims decisions arising in respect of that business. The Agreement also authorises the managing agent to appoint coverholders to underwrite business on behalf of Lloyd's Brussels (pursuant to a Coverholder Appointment Agreement) and to appoint Third Party Administrators (TPAs) and other entities to handle claims arising under Lloyd's Brussels policies.

All managing agents intending to underwrite on behalf of Lloyd's Brussels for the 2019 year of account have now signed the Outsourcing Agreement.

#### *Reinsurance Agreement*

Under the terms of the Reinsurance Agreement, an insurance risk written on behalf of Lloyd's Brussels by a managing agent (or a coverholder appointed by that managing agent) will be 100% reinsured to a syndicate managed by that managing agent. The amount of business (and classes thereof) to be underwritten on behalf of Lloyd's Brussels and reinsured to a particular syndicate will be as per the business plan agreed between Lloyd's Brussels and the managing agent each year.

Managing agents will not be permitted to underwrite business on behalf of Lloyd's Brussels unless a Reinsurance Agreement is in place. Final versions of the Agreement for the 2019 year of account have been provided to managing agents and all signed versions have been collected by Lloyd's Brussels. The retrocession of facultative reinsurance business underwritten by Lloyd's Brussels will also be governed by the Reinsurance Agreement, subject to a minor amendment being made to its terms. Managing agents that wish to write facultative reinsurance business on behalf of Lloyd's Brussels are reminded that they will need to contact Lloyd's Legal department so that the amendment can be put in place. Lloyd's Brussels will not underwrite treaty reinsurance.

#### *Coverholder Appointment Agreement*

The Coverholder Appointment Agreement is the only agreement by which a coverholder is authorised to underwrite business (and, if applicable, handle claims) on behalf of Lloyd's Brussels. For the market's convenience it is based on, and takes a similar form to, the model binding authority agreement LMA3113A, with appropriate amendments. The parties to the Agreement are Lloyd's Brussels and the coverholder, although the managing agent is authorised to agree the commercial terms of the Agreement on behalf of Lloyd's Brussels and enter into it on Lloyd's Brussels' behalf. The functions of Lloyd's Brussels under the Agreement are undertaken by the managing agent on its behalf, so that existing business relationships can be maintained. The terms of the Coverholder Appointment Agreement cannot be amended without prior approval from Lloyd's Brussels.

The form for the Coverholder Appointment Agreement is included as a schedule to the Managing Agent Outsourcing Agreement and is also available on the [Lloyd's Wordings Repository](#) with

reference number LBS0001. Guidance notes to the Coverholder Appointment Agreement are also available.

### Regulatory guidance tools for Lloyd's Brussels

Lloyd's Minimum Standard MS10 on Regulatory Standards will apply to managing agents that enter into a Managing Agent Outsourcing Agreement with Lloyd's Brussels in respect of the business that they write on behalf of Lloyd's Brussels. (Separate guidance will be issued on the application of all Lloyd's Minimum Standards to Lloyd's Brussels in due course.) This means that such managing agents must *inter alia*:

- Conduct business in accordance with Lloyd's Brussels international licensing permissions and with due regard to applicable laws and regulations;
- Set clear underwriting guidance as to what business can be written in accordance with regulatory requirements under Lloyd's Brussels' licences, making reference to the Risk Locator, the Binding Authority QA Tool, the Open Market QA Tool, Stamp Decision Tool and Crystal;
- Demonstrate appropriate levels of knowledge about Lloyd's Brussels' licences and those areas where restrictions or exceptional processes apply; and,
- Establish clear escalation procedures and criteria, for use in cases where underwriting decisions require further scrutiny pre-bind or where a potential breach is identified once a risk is bound.

In order to assist managing agents in ensuring that business written on behalf of Lloyd's Brussels complies with local regulatory and tax requirements, Lloyd's has developed new regulatory guidance and has amended existing tools. These should be used as follows:

#### *Risk Locator Tool*

The regulatory risk location is the territory/territories whose laws and regulations apply to a (re)insurance contract. It is important to note here that the rules that determine the risk location are set out in local legislation and therefore they will not change post-Brexit. However, it will be of greater importance and significance to identify the risk location(s) correctly as Lloyd's underwriters will not be authorised to write business located in the EEA<sup>1</sup> post-Brexit.

An insurance risk is located in an EU/EEA member state for regulatory purposes if it is for:

- A building (and its contents issued under the same policy) situated in that member state.
- A motor vehicle, ship, yacht or aircraft registered in that member state.
- A travel policy for four months or less taken out in that member state.

Other types of insurance are an EU/EEA risk if the insured is habitually resident in an EEA member state or, in the case of a business/organisation, if the establishment to which the contract relates is situated in that member state.

Guidance about [how to identify the regulatory risk location](#), including [class of business guidance](#), is available on [lloyds.com](#).

The rules in the Risk Locator Tool do not need to be changed as a result of Brexit and the resulting

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<sup>1</sup> Lloyd's underwriters' authorisation in Monaco and Gibraltar will also change post-Brexit. Please refer to Crystal for details.

identified risk location(s) still link directly to the territorial Crystal reports.

### *Crystal*

Crystal, Lloyd's regulatory and tax database, has been changed to accommodate the addition of regulatory and tax information in respect of Lloyd's Brussels. Crystal content is now delineated into two sections: one for Lloyd's underwriters (Lloyd's) and one for Lloyd's Brussels.

Crystal's navigation and search will remain on a territorial basis as before, however, results will now return with information about Lloyd's underwriters (Lloyd's) and Lloyd's Brussels. Results can be further filtered to show only Lloyd's or Lloyd's Brussels information by using new tabs for each insurer on the top of the Crystal results screen.

The new information in respect of Lloyd's Brussels is available for all EEA territories, for the UK and for 18 non-EEA territories.

Some of the headings and sub-headings in Crystal have been changed so that they apply to both insurance undertakings.

- Lloyd's Authorisation → **Authorisation**
- Sanctions and trade control → **Sanctions and trade controls**
- Routes into Lloyd's → **Distribution channels**
- Coverholders → **Coverholder business**
- Open market correspondents → **Open market business**
- Lloyd's representatives and other contact details → **Representative(s)**

In addition, the content for Lloyd's underwriters contains additional sub-sections in the Authorisation and Coverholders sections entitled 'Post-Brexit trading rights' and 'Post-Brexit coverholder arrangements' respectively. This information explains what the position of Lloyd's underwriters will be in a particular territory once the UK leaves the EU.

As Lloyd's Brussels is a new insurance company, it is required to set up many new regulatory arrangements for particular classes of business or products. For example, in some EEA countries certain compulsory classes cannot be written unless the insurer has joined a particular organisation or has filed policy wordings with a local regulatory authority. Managing agents should refer to Crystal for details of applicable requirements and should ensure that no quotes are offered for such business until they are in place.

### *Stamp Decision Tool*

The [Stamp Decision Tool](#) (SDT) is a new tool that has been developed to enable underwriters to determine whether a policy should be underwritten by Lloyd's underwriters or Lloyd's Brussels based on the risk location for regulatory purposes, the class of business and the nature of the placement chain. It is easily accessible via a link on the Crystal home page.

The SDT will generate an action based on the combination of selected answers to the listed questions. The actions provide a brief instruction as to how the risk must be written and whether it should be written by Lloyd's underwriters or Lloyd's Brussels or can be written by either insurer.

The SDT should be used after the regulatory risk location(s) has been identified through the use of the Risk Locator Tool and in conjunction with the Authorisation and Coverholder information on Crystal.

## Policy documentation for Lloyd's Brussels

Lloyd's, in conjunction with the LMA, has prepared the following documentation for contracts underwritten on behalf of Lloyd's Brussels.

### *Market Reform Contract (Open Market) Guidance – Lloyd's Brussels Supplementary Addendum*

This Lloyd's Brussels [Supplementary Addendum](#) is designed to be used alongside the Market Reform Contract (Open Market) Guidance v1.9, both of which are available on the [LMG website](#). Further details are available in [LMA Bulletin LMA18-040-AC](#) dated 6 September 2018.

The Market Reform Contract (Open Market) Guidance v1.9 contains a new mandatory heading '**Regulatory Risk Location**' under the Fiscal and Regulatory section. As noted above, there will not be a change in the way the location of risk is determined post-Brexit. However, determining the correct risk location(s) will be of greater importance as of 1 January 2019.

Separate Supplementary Guidance Addenda have been produced to sit alongside the separate MRC Binding Authority Guidance and MRC Line slips Guidance, respectively. Further details are available in [LMA Bulletin LMA18-045-TH](#) dated 3 October 2018.

### *Certificates, policies and clauses*

A new suite of policy document templates and clauses have been produced specifically for use by Lloyd's Brussels. They each have a 'LBS' prefixed reference number and are published in the new Lloyd's Brussels section of the [Lloyd's Wording Repository](#). Further details are available in [LMA Bulletin LMA18-039-AC](#) dated 3 September 2018.

The documents include:

- Coverholder Appointment Agreement.
- Generic certificates (jackets and schedules) and country specific variations where required.
- Generic open market policy documents (jackets and schedules).
- Ancillary clauses, e.g., service of suit, language declaration clause, IPID template, data protection/privacy notices.
- Complaints notices for specific countries.
- Pre-contractual and other policy documentation for specific countries.

Please note that many of the existing LMA/NMA model policy wordings, jackets and schedules for particular classes of business are unsuitable for use on contracts underwritten on behalf of Lloyd's Brussels because they use terms that do not apply to it, e.g., "Lloyd's", "underwriters at Lloyd's", "syndicate" and the "One Lime Street" address. Such documents must not be used for Lloyd's Brussels business. Any such documents that are intended to be used for risks located in the EEA will be archived from 1 January 2019.

Translations of certain 'LBS' documents have been published on the Lloyd's Wordings Repository. Additional translations of Sanctions clause LMA3100 and Several Liability clause LSW1001INS, which remain suitable for Lloyd's Brussels business have also been provided.

For further information, please contact LITA at [lita@lloyds.com](mailto:lita@lloyds.com) or 44 (0) 20 7327 6677.

Giles Taylor

Appendices

Appendix 1 - Lloyd's Brussels Regulatory Guidance Tools

Appendix 2 - List of Lloyd's Brussels documents to be available on the Lloyd's Wordings Repository

## APPENDIX 1 – LLOYD’S BRUSSELS REGULATORY GUIDANCE TOOLS

Regulatory Guidance Tool	New	Changed	Comments
Risk Locator Tool			No change. The rules that determine the risk location are set out in local legislation and therefore do not need to be changed as a result of Brexit.
Crystal	<p>✓</p> <p><i>Lloyd's Brussels content for all European Economic Area (EEA) territories, the UK and 18 non-EEA territories</i></p> <p><i>Lloyd's underwriters contents now contains additional sub-sections in the Authorisation and Coverholders' sections entitled 'Post-Brexit trading rights' and Post-Brexit coverholder arrangements'</i></p>	<p>✓</p> <p><i>Some headings and sub-headings so they apply to both Lloyd's underwriters and Lloyd's Brussels:</i></p> <p><i>Lloyd's Authorisation - <b>Authorisation:</b></i>  <i>Sanctions and trade control - <b>Sanctions and trade controls;</b></i></p> <p><i>Routes into Lloyd's - <b>Distribution channels;</b></i>  <i>Coverholders - <b>Coverholder business;</b></i>  <i>Open market correspondents - <b>Open market business;</b> and</i>  <i>Lloyd's representatives and other contact details - <b>Representative(s)</b></i></p>	Crystal content is now delineated into two sections - one for Lloyd's underwriters (Lloyd's) and one for Lloyd's Brussels
Stamp Decision Tool	<p>✓</p> <p><i>New tool developed to enable underwriters to determine whether a policy should be underwritten by Lloyd's underwriters or Lloyd's Brussels</i></p>		

**APPENDIX 2 – LLOYD’S BRUSSELS DOCUMENTS ON THE LLOYD’S WORDINGS REPOSITORY<sup>2</sup>**

\* Denotes translation available or to follow.

LBS0001	Coverholder Appointment Agreement*
LBS0001 (Guidance Notes)	Coverholder Appointment Agreement
LBS0002 (Guidance Notes)	Generic Certificate Guidance Notes
LBS0002J	Generic Certificate Jacket *
LBS0002S	Generic Certificate Schedule*
LBS0003 (Guidance Notes)	Generic Combined Certificate Guidance Notes
LBS0003J	Generic Combined Certificate Jacket
LBS0003S	Generic Combined Certificate Schedule
LBS0004J	Generic Policy Jacket
LBS0004S	Generic Policy Schedule
LBS0005J	Generic Co-Insurance Policy Jacket
LBS0005S	Generic Co-insurance Policy Schedule
LBS0006	Service of Suit and Jurisdiction Clause*
LBS0007	Language Clause
LBS0008	IPID Template
LBS0009	Consortia Agreement
LBS0010	Additional Product Information Document – Italy*
LBS0011	Complaints Notice – Italy*
LBS0013	Yacht Certificate – Italy*
LBS0014	Pre-Contractual Information Notice - Germany (FOE)*
LBS0015	Pre-Contractual Information Notice - Germany (FOS)*
LBS0016	Tax registration number clause - Germany
LBS0017	Guarantee Fund for Non-Life Insurance Undertakings Clause – Denmark*
LBS0018A	Certificate Schedule - Spain (FOE)*
LBS0019A	Policy Schedule – Spain*
LBS0020A	Pre-Contractual Information Notice - Spain (FOE)*
LBS0021A	Pre-Contractual Information Notice - Spain (FOS)*
LBS0022	Yacht Certificate – Spain
LBS0023	Coverholder Appointment Agreement Endorsement - Malta
LBS0024	Pre-Contractual Information Notice - Malta

<sup>2</sup> Some documents will be published in due course.



LBS0025	Certificate Schedule – Austria*
LBS0026	Pre-contractual Information Notice - Portugal (FOE)*
LBS0027	Complaints Notice - Ireland
LBS0028	Complaints Notice – Netherlands*
LBS0029	Complaints Notice – Germany (FOS)*
LBS0030	Complaints Notice – Norway*
LBS0031	Complaints Notice – Belgium*
LBS0032	Complaints Notice – Denmark*
LBS0033	Complaints Notice – Sweden*
LBS0034	Complaints Notice – Spain (FOS)*
LBS0035	Complaints Notice – Luxembourg*
LBS0036	Complaints Notice – Greece*
LBS0037	Complaints Notice - Malta
LBS0038	Complaints Notice – Cyprus*
LBS0039	Complaints Notice – Poland*
LBS0040	Complaints Notice – Austria*
LBS0041	Complaints Notice – Lithuania*
LBS0042	Complaints Notice - Czech Republic
LBS0043	Complaints Notice - Iceland
LBS0044	Complaints Notice - Hungary
LBS0045	Complaints Notice - UK
LBS0046	Data Protection Short Form Information Notice
LBS0047	Data Protection Consent Form Wordings - Proposal Stage
LBS0048	Data Protection Consent Form Wordings - Claims Stage
LBS0049	Data Protection Clause for Commercial Lines Policies - No Consent
LBS0050	Data Protection Clause for Commercial Lines Policies - With Consent
LBS0051	Complaints Notice - Bulgaria
LBS0052	Complaints Notice - Croatia
LBS0053	Complaints Notice - Estonia
LBS0054	Complaints Notice - Finland
LBS0055	Complaints Notice - Latvia
LBS0056	Complaints Notice - Liechtenstein
LBS0057	Complaints Notice - Romania
LBS0058	Complaints Notice - Slovakia

LBS0059	Complaints Notice - Slovenia
LBS0060	Coverholder Appointment Agreement Interpretation Clause
LBS0061	Complaints Notice – Spain (FOE)*
LBS0062	Complaints Notice – France*
LBS0063	Complaints Notice - Germany (FOE)*
LBS0064	Complaints Notice – Portugal*