

MARKET BULLETIN

REF: Y4991

Title	Lineslips
Purpose	To remind the market of those areas which require particular attention when writing lineslips and to inform the market of changes Lloyd's is making to its requirements
Type	Event
From	Tom Bolt- Director Peter Montanaro- Head of Delegated Authorities Performance Management Directorate
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Lineslips – ensuring managing agents maintain strong oversight

Lloyd's has recently carried out two thematic reviews into lineslips, focussing on those written in the Aviation and Terrorism classes. Based on the findings of those reviews and wider market feedback, Lloyd's will shortly be publishing updated Minimum Standards for Delegated Underwriting including clearer standards for lineslips. Where, in Lloyd's view, managing agents have inadequate controls, Lloyd's may impose restrictions on the writing of lineslips. In assessing managing agents against the updated standards, Lloyd's will be looking particularly at how managing agents address the following points:

- Extent of authority granted under a lineslip** – It is important that the conditions, scope and limits of authority given to the leader(s) are clearly set out in the lineslip agreement. This should include outlining the specific nature and type of business intended to be covered. Where there are more complicated agreements, including 'drop-down leaders', the operation of those agreements must be carefully considered and documented in the lineslip agreement in a way that is transparent to all participating underwriters. Managing agents should also ensure that the lineslip leader(s) retain an appropriate level of underwriting control and must retain the authority to bind each risk declared. Any instance where the leader is unable to decline a risk declared during the period of the agreement are not permitted under a lineslip agreement.
- Placing information to be provided to the lead underwriter(s) for individual lineslip declarations** – Underwriters must be satisfied that they are provided with appropriate information for the binding of individual risks under the lineslip. The information provided to the lead underwriter(s) mid-term must be sufficiently frequent and detailed to allow them to monitor the business properly.

- **Issuance of contractual documents bound under the lineslip** – The lineslip agreement must clearly specify the process for issuing contractual documents for risks to be bound under the lineslip. Any risk bound under a lineslip must be signed by the lead underwriter(s) with delegated authority. This may be achieved by the lead underwriter(s) putting their stamp on the slip for any risks placed using the MRC standards otherwise alternative arrangements will be required to ensure this. Any documentation issued by the broker is broker insurance documentation (BID) and cannot be relied on as insurer approved contract documentation.
- **Information provided to the underwriter(s)** –Lloyd's also has concerns that following underwriters are not being provided with sufficient information about the business being bound on their behalf and that they are therefore unable to meet the Lloyd's minimum standards and reporting requirements. All participating underwriters must ensure that they receive sufficiently frequent and detailed information to ensure that they are able to do so. Following underwriters are expected to monitor, measure and assess business written on their behalf accurately on a timely basis.
- **Changes to the lineslip** – Any authority delegated to the lineslip leader(s) to agree changes to the lineslip must be specified and properly documented. Generally, any authority given to the lineslip leader to make amendments to the lineslip should be limited to non-material changes and any extensions to lineslip provisions (such as period) should be agreed by all participating underwriters.

Changes to Lloyd's Requirements

Part E of the Intermediaries Byelaw and the Requirements made pursuant to that byelaw (at paragraph 12A) set out certain requirements for the writing of lineslips at Lloyd's.

To further clarify the standards that Lloyd's expects should be applied to lineslips, Lloyd's is also making changes to the following:

- 1 **Minimum Standards** – Lloyd's is amending the Minimum Standard for Delegated Authority UW1.3. The changes are intended to make clear that the minimum standards for delegated authorities apply to lineslip agreements, as well as Consortia arrangements. The updated standards have been discussed with the LMA and will be notified to the market shortly.
- 2 **Code of Practice - Delegated Underwriting** – Lloyd's Delegated Authority Team is updating its code of practice for delegated underwriting to set out more detail on Lloyd's expectations for writing lineslips. The updated Code will be published in the summer.

Additionally, Lloyd's is presently discussing with the London Market Group updating the Market Reform Contract standard for lineslips and lineslip declarations.

Lloyd's requirements presently mean that Coverholders should not be given authority to participate on lineslips as this would constitute sub-delegation for the purposes of the Intermediaries Byelaw. As part of its review of the requirements for lineslips, Lloyd's will be

consulting on whether greater flexibility should be permitted. Any questions relating to this should be directed to the relevant account executive in the Delegated Authorities Team.

Definition of lineslip

The changes being implemented will apply to all lineslip agreements at Lloyd's. The Definition Byelaw defines lineslips as

“an agreement by which a managing agent delegates its authority to enter into contracts of insurance to be underwritten by the members of a syndicate managed by it to another managing agent or authorised insurance company in respect of business introduced by a Lloyd's broker named in the agreement”

A number of placements in the market adopt a different name to describe these agreements, including 'facility', 'arrangement', 'programme' and 'scheme'. Where, however, the agreement involves a delegation of the authority to enter into contracts of insurance or reinsurance in a way that meets the above definition it will qualify as a lineslip and Lloyd's will be monitoring managing agents to ensure compliance with its requirements. Any delegation of authority to the broker to enter into contracts of insurance or to issue documents evidencing contracts of insurance are not permitted through a lineslip agreement and must be approved as a Coverholder arrangement.

Distribution Costs

Managing agents are reminded that Lloyd's has issued guidance with regard to distribution costs, broker remuneration and additional charges. This includes guidance with regard to profit commission on lineslips. The guidance is presently set out in [Market Bulletin Y4864](#).

Consortia Arrangements

Consortia arrangements are similar to lineslips in that they are delegations of authority between managing agents. Lineslips are adopted where the business to be written is to be sourced from a single broker. Consortia arrangements are more usually used where the business to be written is expected to come from a number of different sources.

At the same time as looking at lineslip agreements, Lloyd's is working with the LMA with a view to the LMA producing a model wording for consortia arrangements based on the LMA model binding authority agreement, LMA3113.

Further Information

If you have any questions with regard to this bulletin, you are asked to contact Lloyd's Delegated Authorities Team by email at coverholders@lloyds.com.