

Chapter 2 Requirements made under the Intermediaries Byelaw

Section 1 Delegated Underwriting

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

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

1. The registers of *approved coverholders* and *registered binding authorities* 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 *approved coverholders*
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* may inspect the part of the register of *registered binding authorities* which relates to that *registered binding authority*.

Approved Coverholders - 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 its name to be entered in the *register of approved coverholders* by completing the relevant parts of the appropriate form of application.
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* the *Franchise Board* shall 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 for the administration and agreement 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 of claims and for the handling and recording of complaints;
- (vi) the nature of the *applicant's* business including 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* wherever it will conduct insurance business in that capacity.

7. A *managing agent* that intends to enter into a *binding authority* 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.

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

Binding Authorities - 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 *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 coverholder’s director or partner who is directly responsible, on behalf of the *coverholder*, for the overall operation and control of the *binding authority*;
 - (g) the names of the coverholder’s directors, partners or employees who will have authority to enter into contracts of insurance under the *binding authority*;
 - (h) the names of the coverholder’s directors, partners or employees (if any) who will have authority to issue documents evidencing contracts of insurance under the *binding authority*;
 - (i) the name of any person who will have authority to agree claims made on contracts of insurance entered into by the *coverholder* under the *binding 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 *coverholder* may enter into under the *binding authority*;
 - (m) the maximum limits of liability in respect of contracts of insurance that the *coverholder* may enter into under the *binding authority*;
 - (n) the territorial limitations on the *coverholder's* authority under the *binding authority*;
 - (o) provisions requiring the *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 *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 *coverholder*;
 - (r) provisions relating to the ongoing obligations of the *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 *coverholder*;
 - (u) provisions to require the *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.

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

Requirements relating to line slips - paragraph 30 of the of the Intermediaries Byelaw

- 12A. Every *line slip* 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* can be identified;
 - (b) 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 authorised insurance company that is authorised to enter into contracts of insurance under the *line slip* (the “*slip leader*”);
 - (e) the period of the *line slip* 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* receive information relating to the operation of the *line slip* including, in respect of each contract of insurance entered into 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;
 - (j) provisions setting out how and when the payment and settlement of monies due from each of the parties to the *line slip* should be made;
 - (k) provisions for the amendment, cancellation and termination of the *line slip* 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*;
 - (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;
 - (n) the manner or basis for the calculation of premiums, discounts, commissions, brokerages, fees, charges and expenses.

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>

Requirements for insurance documentation – Part F
of the Intermediaries Byelaw

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 *coverholder*;
 - (b) all relevant terms and conditions that relate to the contract of insurance entered into by the *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 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 *coverholder* is domiciled, or any other jurisdiction in which the *coverholder* trades, provides services or does business.

Third party administrators – Part G of the Intermediaries Byelaw

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)

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 are that it –
- (a) is 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 in respect of the application of the above criteria. (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 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; or

- (ii) can demonstrate that it meets professional requirements in relation to its competence, good repute and financial capacity equivalent to those 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.

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.