MARKET BULLETIN

From	Steven Haasz
Date	22 January 2007
Reference	Y3957
Subject	**Lloyd's Policies**
Subject areas	Slips, policies, contract certainty
Attachments	
Action points	Action to be taken when a Lloyd's Policy will not be produced.
Deadlines	**Immediate**

Traditionally, in open market placements, the slip is subsequently followed or replaced by a Lloyd's Policy produced to be sealed by the Lloyd's Policy Signing Office (Xchanging). However, there is no Lloyd's requirement to produce a traditional policy. It is therefore open to managing agents to decide in each case whether or not to produce a traditional policy depending on client, legal and regulatory requirements.

Where a traditional policy will not be produced, the slip will remain as the definitive record of the contract of insurance. This has considerable advantages for both the managing agents and the brokers as once the scratched (signed) and stamped slip has been passed to the broker (as agent of the insured) the definitive record of the contract has been issued to the insured and no further document needs to be produced. Any other document produced by the broker to evidence cover and which is not approved by the managing agent is done at the broker's own risk and may not be relied upon in the event of a dispute with regard to the contract.

Where a traditional policy will not be produced it is particularly important that, prior to entering into the contract, the managing agent ensures that –

- the slip is a properly completed Market Reform Slip[1] (although the Subscription Agreement, Information and Fiscal and Regulatory Sections and the brokerage heading in the Risk Detail section may be relocated to appear directly after the security pages)

- the slip is contract certain and includes all of the terms and the wording (either in full or by clear reference to other documents or materials) so that the managing agent and the other parties to the contract can rely on the slip, as drafted, to be interpreted as expected;

- the slip clearly establishes the several liability of each underwriting member subscribing to the risk from every other member and any insurance company. Ideally, the slip should also separate Lloyd's participations from non-Lloyd's participations through the use of the Lloyd's coversheet as set out in the Contract Documentation Pilot[2].

- the slip complies with all Lloyd's regulatory and tax checks[3].

Lloyd's is consulting with managing agents to determine how the market assures itself of these matters with a view to addressing any risks associated with the removal of stage 2 checks which form part of the traditional policy production service.

If you have any queries about the content of this bulletin please contact Richard Palethorpe on Lloyd's extension 6491 (Richard.palethorpe@lloyds.com)

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Notes

[1] See http://www.marketreform.co.uk/Documents/Slip_pubs/The%20Market%20Reform%20Slip06.doc

[2] See http://www.marketreform.co.uk/Documents/contract_doc_pilot/MOU061006.pdf

[3] See http://www.lloyds.com/Lloyds_Market/Tools_and_reference/Quality_assurance_tool/QA_Tool_pilot.htm)