

MARKET BULLETIN

REF: Y4000

Title	Streamlining Lloyd's broker registration
Purpose	To update market participants on the new Intermediaries Byelaw
Type	Event
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Date	4 April 2007
Deadline	New Intermediaries Byelaw – effective from 2 April 2007
Related links	Lloyd's market bulletin Y3958 dated 22 January 2007 Intermediaries Byelaw Requirements made under the Intermediaries Byelaw

A key priority for Lloyd's in 2007 is to work towards eliminating the actual and perceived complexity of operating in the market and make it easier for managing agents, brokers and capital providers to do business at Lloyd's. We are also determined to remove unnecessary duplication of effort between Lloyd's and the FSA and to improve the accessibility of Lloyd's to brokers around the world.

In light of these priorities, following consultation with the Lloyd's Market Association's Regulatory Committee ("LMA"), the London Market Insurance Brokers' Committee ("LMBC") and market participants, and on the recommendation of the Franchise Board, the Council has made the Intermediaries Byelaw and related Requirements. This streamlines Lloyd's approach to broker registration to reflect the FSA's regulatory framework for insurance intermediaries and reduces the burden on brokers who transact business at Lloyd's.

The Intermediaries Byelaw

On 22 January 2007, Lloyd's published proposals for a streamlined approach to broker registration ("the proposals") and invited comments from the market. Before then Lloyd's had already consulted with the LMA and LMBC, both of whom were supportive of our proposed streamlined approach to broker registration.

The period for market consultation closed on 16 February 2007 and we received 23 written responses (14 from managing agents and 9 from Lloyd's brokers). The responses indicated broad support for the proposals and we have therefore made no substantive changes to the

proposals. Accordingly, on the recommendation of the Franchise Board, the Council has now approved the new streamlined approach to broker registration at Lloyd's by making the new Intermediaries Byelaw and related Requirements. These are available on the Lloyd's market tools and reference pages of the lloyds.com website at [Lloyd's Acts and Byelaws](#).

In practice, the new approach will result in broker applicants experiencing a quicker and more efficient application process, no longer needing to prepare a Lloyd's specific business plan or be subject to unnecessary duplication of requirements between Lloyd's and the local regulator. We have also removed our routine annual reporting requirements for existing Lloyd's brokers, including the annual broker questionnaire. The new approach will also contribute toward delivering improved market access.

In addition to amending our current byelaw provisions for Lloyd's brokers, we have taken the opportunity to bring our byelaw provisions for Lloyd's brokers and our provisions for coverholders and other delegated underwriting arrangements into one place, the new Intermediaries Byelaw. Our existing criteria for coverholder approval (including service companies) remain unaffected, although we have taken the opportunity to make some changes to the delegated underwriting requirements which had been previously consulted upon with the relevant market associations (in particular in respect of motor binding authority arrangements and the content of lineslips).

Implementation arrangements

The Intermediaries Byelaw and related Requirements are now in force and the Delegated Underwriting Byelaw (No. 1 of 2004) and related Requirements and the Lloyd's Broker Byelaw (No. 7 of 2004) have been revoked.

Since the new broker arrangements involve the streamlining of current activities and requirements rather than the addition of new obligations it is expected that they will cause minimum disruption. The key transitional arrangements are set out below:

- **Streamlined broker registration process:** - the simplified application process and criteria for new broker applications (see Annex 1) and changes to the oversight of existing Lloyd's brokers are now in force;
- **Grandfathering of provisionally accredited brokers:** - existing provisionally accredited brokers and accredited brokers have been grandfathered in as "registered Lloyd's brokers" with effect from 2 April 2007;
- **Sponsorship arrangements:** - it is expected that current 'sponsored brokers' will apply for registered broker status during 2007 and that current sponsorship arrangements will be phased out by 31 December 2007; and
- **Group access arrangements:** - the simplified group access application process will be phased in over 2007, subject to market interest, in order to ensure that implementation is undertaken in an orderly manner.

An updated application form and guidance notes for broker registration will be available later this month on the Admissions pages of the lloyds.com website at lloyds.com/brokers. Until the updated form and guidance notes are issued, new broker applications will be accepted on the current application form and be assessed in line with the new approach set out in the proposals.

For the sake of clarity, the new arrangements do not affect the status of firms who are only approved by Lloyd's to handle claims in respect of run-off business. Such firms are not registered Lloyd's brokers and are not authorised to place insurance business at Lloyd's.

In the light of the new arrangements, managing agents may wish to review the set of commercial criteria and assessment approach by which they determine if and on what basis they may choose to enter into a Terms of Business Agreement with a broker.

Coverholder / broker document repository

We are also looking at other ways in which we can further assist managing agents in managing their relationships with brokers and coverholders. To that end we are working with the LMA and LMBC on a new secure on-line system. This will help to remove the duplication of efforts in the collection and dissemination of coverholder and broker information across the market. Further updates on this project will be provided during the course of this year.

Further information

Any queries on this bulletin should be directed to Nigel Williamson, Manager, Agents & Brokers, Admissions (extn 6415, email nigel.williamson@lloyds.com) or Stephen Moore, Manager, Projects, Admissions (extn 6984, email stephen.moore@lloyds.com).

Sean McGovern
Director and General Counsel

SUMMARY OF BROKER REGISTRATION REQUIREMENTS

From 2 April 2007, we will limit our checks on Lloyd's broker applicants to the following six questions:-

- 1) Has the applicant been approved by the FSA (or by an equivalent overseas regulatory authority)?
- 2) Does the applicant have the support of at least one Lloyd's managing agent that is prepared to enter into a terms of business agreement ("TOBA") with the broker? (We will make clear the expectation that a new Lloyd's broker will place business at Lloyd's).
- 3) Does the applicant have the ability to transact and process Lloyd's market business? (We will take account of current market reform initiatives and this will be subject to reassessment in the second year of registration).
- 4) Does the applicant have suitable procedures in place to ensure that insurance monies are properly safeguarded?
- 5) Does the applicant meet Lloyd's minimum PI requirements? (These PI requirements will be the same as we currently require of Lloyd's brokers).
- 6) Does the applicant have any prohibited associations with Lloyd's managing agents, taking account of the divestment provisions of the Lloyd's Act 1982?

There will also be a number of other consequential benefits to the new arrangements including removing the unnecessary distinction between "provisionally accredited" and "fully accredited" Lloyd's broker status, removing the requirement for preparing Lloyd's specific business plans and removing Lloyd's separate capital requirements.

These changes will also mean that we expect to be able to deal with applications more quickly than at present. However, we will retain our current reserve powers to allow us in appropriate cases to stop a new broker being registered, or to review or remove a broker's registration, for example if we believed the Lloyd's brand was being jeopardised.