

MARKET BULLETIN

REF: Y4276

Title	Lloyd's Open Market Correspondents ('OMCs') – changes to requirements
Purpose	To advise the Lloyd's Market of changes to the OMC approval process, affecting where, territorially, OMC approval is required and how OMC applications are sponsored.
Type	Annual
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Deadline	01 June 2009
Related links	

Summary

This bulletin is addressed to all Lloyd's market stakeholders dealing with Lloyd's Open Market Correspondents ('OMCs'). An OMC is an insurance intermediary in certain designated territories that introduces business to the Lloyd's market for placement at Lloyd's on an open market basis and which does not have the status of a Lloyd's approved coverholder.

The Legislative Reform Act to amend Lloyd's Act 1982 came into force on 19 November 2008 and introduced two market related reforms (please see market bulletin Y4235, dated 12 January 2009 for further details). In light of these reforms, Lloyd's has completed a review of how the OMC approval process should apply to non-Lloyd's brokers and taken the opportunity to review the territories in which there is a continued need to approve intermediaries introducing business to Lloyd's on an open market basis.

With effect from 1 June 2009, the OMC approval process will (see Appendix A):

- (1) Apply to intermediaries located in a revised number of territories;
- (2) No longer make the distinction between 'registered' and 'approved' OMC status; and

- (3) Permit Lloyd's managing agents to sponsor OMC applications from non-Lloyd's brokers with whom they are dealing directly.

Changes to Lloyd's OMC process

A detailed description of the OMC application process, and application form, can be found at [Link to OMC application process](#). Lloyd's market bulletin Y3600, dated 22 July 2005, detailed the process applicable at that time and which is now subject to the changes detailed in Appendix A. These changes will become effective from 1 June 2009, from which date details of the revised OMC application process will be available on lloyds.com (see link above) and Lloyd's QA tools will be revised to reflect these changes.

Until that date, all OMC applications in progress will continue to be processed as normal, in respect of the current list of territories and Xchanging will continue to apply the stage 1 OMC check unchanged¹.

Lloyd's is currently reviewing the OMC application process as it applies to each of the territories where approval will still be required to ensure that, territory by territory, the process continues to respond to local requirements. OMC applicants and their sponsors should continue to complete the OMC application process referred to at the link above whilst this review is undertaken. Lloyd's will issue further guidance as to any changes which might emerge from this review and how they will be implemented.

Further information

For further information please contact –

General enquiries

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¹ The Market Reform Contract ('MRC'), under Section 4 'Fiscal & Regulatory', includes the mandatory section E2.3 which requires that if the contract is underwritten in whole or part by Lloyd's insurers, and the intermediary detailed under "Overseas broker" is in one of the listed OMC territories, it must be either an OMC or a Lloyd's approved coverholder. If the risk or insured are situated in Illinois, Kentucky, Canada or US Virgin Islands, the "Overseas broker" must be either an OMC or a Lloyd's approved coverholder.

Appendix A

Changes to Lloyd’s OMC process

(1) Relevant Territories

The table set out below details those territories where a requirement exists for a local intermediary² to be approved as a Lloyd’s OMC:

Canada	USVI
Kentucky	Illinois ³
Italy	South Africa ⁴
Switzerland	Israel
Namibia	Spain ⁵
Portugal ⁶	

Lloyd’s underwriters and brokers should ensure that any local intermediaries with whom they do business are aware of this requirement and that, if necessary, they obtain OMC approval. Lloyd’s has instructed Xchanging to reject slips submitted for the placement of insurance incepting from intermediaries located in the territories listed above, if the intermediary is not an approved OMC.

Please note that OMC approval needs to be obtained regardless of whether the intermediary is placing the business through a Lloyd’s broker or directly to the syndicate (in accordance with the *Guidance for Managing Agents – Acceptance of Business from Non-Lloyd’s Brokers*) (see **(3) Non-Lloyd’s brokers** below).

Lloyd’s Brokers or Lloyd’s managing agents should note that where business is introduced to Lloyd’s from intermediaries located in territories where previously the OMC process applied, they should provide Lloyd’s General Representative for that territory with the name and address of the local intermediary and line(s) of business to be produced. This requirement extends to providing this information in respect of all intermediaries included in the producer chain.

These former OMC territories include Germany, Belgium, Cyprus, France, Spain⁷, Greece, Malta, Ireland, Netherlands and Portugal⁸.

² Additionally, If the risk or insured are situated in Illinois, Kentucky, Canada or US Virgin Islands, the intermediary must be either an OMC or a Lloyd’s approved coverholder.

³ Applies to both Illinois licenced and surplus lines business

⁴ Applies to both direct and reinsurance business

⁵ Applies only to intermediaries who are "exclusive insurance agents" for a Lloyd’s managing agent.

⁶ Applies only to intermediaries who are "insurance agents" for a Lloyd’s managing agent

⁷ Other than " exclusive insurance agents" – see ⁵ above

⁸ Other than "insurance agents" – see ⁶ above

(2) Approved OMC status

Lloyd's has previously differentiated between 'registered' and 'approved' OMCs. This distinction has now been removed. An OMC domiciled in any of the territories shown in the table above will be considered 'approved' upon completion of the OMC application process. This reflects the local regulatory requirement in respect of which the OMC application process responds.

It should be noted that an approved OMC can no longer use the statement 'Lloyd's correspondent' on its stationery. In accordance with updated guidelines for the use of the Lloyd's brand, an approved OMC is not authorised to use either the Lloyd's logo and/or its coat of arms in any corporate and marketing material, including, but not limited to, stationery, headed letter paper, websites, brochures, reports and publications. With regards to the use of the Lloyd's name, the use of statements with "Lloyd's" inserted within are not allowed⁹, such as, for example, "Open Market Correspondent of Lloyd's", "Lloyd's OMC", etc.

In cases where the OMC would need or wish to clarify its business relationship with the Lloyd's market, the OMC may use a factual statement such as "..... (OMC name) may produce business into the Lloyd's market via a Lloyd's broker" or similar. Furthermore, in cases where the OMC would like to provide additional information about Lloyd's, you may address them to the Lloyd's website.

(3) Non-Lloyd's brokers

Under the new byelaw provisions implemented post the Legislative Reform (Lloyd's) Order, business can now be also accepted by the members of a syndicate directly from non-Lloyd's brokers (paragraph 27 of the Underwriting Byelaw). Lloyd's has implemented rules to ensure that managing agents apply the same minimum standards that are required of Lloyd's brokers to any non-Lloyd's brokers with whom they directly deal.

The current OMC process will continue to apply in respect of those territories where OMC approval is required (see (1) above). Accordingly, non-Lloyd's brokers from those territories will need OMC approval.

If the non-Lloyd's broker is placing business via a Lloyd's broker then the Lloyd's broker should sponsor the application using the existing OMC application process.

If the non-Lloyd's broker produces business directly to the managing agent (or to another non-Lloyd's broker) then the managing agent will need to sponsor the OMC application. This will involve undertaking the relevant checks that a sponsor must carry out and liaising with the appropriate general representative (further details, including the OMC application form can be found at [Link to OMC application process](#)).

⁹ Except where a compulsory legal requirement may exist in the relevant territory.