

MARKET BULLETIN

REF: Y4390

Title	Broker Errors and Omissions Insurance
Purpose	To inform managing agents of new requirements regarding the underwriting and claims handling in respect of broker errors and omission insurance
Type	Event
From	Tom Bolt Performance Management Directorate
Date	21 April 2010
Deadline	N/A
Related links	N/A

Broker Errors and Omissions Insurance

Lloyd's is aware that some managing agents underwrite broker errors and omissions insurance (E&O) in respect of brokers which also place business with the syndicates under their management. The existence of an ongoing business relationship between the broker to be insured and some or all of the managing agents underwriting the risk may create the perception of a conflict of interest which could arise either at the point of underwriting or when claims are being determined.

To facilitate the effective handling of any potential conflicts of interest in this class of business, Lloyd's has concluded that it is appropriate to issue the requirements set out in the annex to this bulletin which come into effect from the date of this bulletin.

In order for Lloyd's to more effectively monitor this particular type of business and the extent to which it is being written, Lloyd's now requires managing agents to disclose any intention to underwrite broker E&O in respect of brokers which also place business with their syndicates in their business plans.

Lloyd's is satisfied that any conflict of interest which exists at the point when a claim is being determined can be appropriately managed through the protections afforded by the Lloyd's 2006 Claims Scheme. In particular, Lloyd's places reliance on the role of XCS in acting as a claims agreement party for following syndicates and the robust process of peer review which takes place before claims are finally determined by the lead and XCS.

Notwithstanding that, Lloyd's would like to receive a greater level of information about material claims. Accordingly, each managing agent is now required to report any claim to Lloyd's where the amount being claimed in aggregate from the syndicates under its management is in excess of £500,000 and the broker in question also places business with those syndicates.

If managing agents have any questions about this bulletin, they may contact David Indge (Email: david.indge@lloyds.com, Tel: 020 7327 5716) in respect of underwriting and business plans and Kent Chaplin (Email: kent.chaplin@lloyds.com, Tel: 020 7327 5552) in respect of claims.

Annex 1

The *Franchise Board* has prescribed the requirements below pursuant to paragraphs 13, 14 and 63 of the Underwriting Byelaw and they shall apply to managing agents underwriting broker errors and omissions insurance on behalf of syndicates under their management.

Words shown in italics have the meaning set out in the Definitions Byelaw.

Underwriting broker errors and omissions insurance

1. If a *managing agent* intends to underwrite broker errors and omissions insurance in respect of a broker which also places business with a *syndicate* under the management of the *managing agent*, the *managing agent* shall disclose this in the *business plan* for the relevant *syndicate*.

Determination of claims made on broker errors and omissions insurance

2. A *managing agent* shall promptly report to the Lloyd's Performance Management Director any claim made on a broker errors and omissions insurance underwritten by the *syndicates* under its management where the amount being claimed in aggregate from those *syndicates* is in excess of £500,000 and the broker in question places business with those *syndicates*.