

# MARKET BULLETIN

REF: Y4704

<b>Title</b>	Changes to Delegating Underwriting Oversight
<b>Purpose</b>	To update changes agreed following Market consultation
<b>Type</b>	
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<b>Date</b>	14 June 2013
<b>Deadline</b>	
<b>Related links</b>	

On 15 March, Vincent Vandendael (Director, International Markets) and Tom Bolt (Director, Performance Management Directorate) invited managing agents to provide feedback on the current oversight of delegated underwriting business at Lloyd's. At the same time, Lloyd's brokers were also invited to provide feedback through the LIIBA BOLT Committee.

Lloyd's received 111 suggestions and recommendations, which can be grouped into 16 main points where action can be taken. Of those 16 points, we are able to make the following changes immediately.

## Immediate changes

1. Remove duplication by allowing managing agents to submit the Delegated Authorities Team's (DAT) decision paper with their application.  
*(This will be at the choice of the managing agents. However, if they submit the DAT decision paper with accompanying evidencing of compliance, this will reduce the time required prior to DAT decision by approximately 1 week)*
2. Allow brokers to sponsor coverholder applications.  
*(Whilst it will remain a requirement that a coverholder has a letter of support from a managing agent prior to it being allowed to bind, brokers feel that this change will expedite the approval process for their coverholders).*

3. Streamline branch approval process  
*(Subject to certain criteria being met, a coverholder branch office will be approved within 48 hours. Those criteria are that the branch is in the same country and subject to the same regulator as the head office, works off the same system and binder and has the necessary licences and insurance). Based on last year's figures, of the 100 branch approvals, half of them would be subject to the new streamline approach.*
4. A new approval letter for new coverholders.  
*(Feedback from the market was that the automated approval email sent out by the DAT did not set the correct 'first impression').*
5. A status update on new applications to be provided after 2 weeks.  
*(Feedback from the market was that occasionally they didn't receive information about on-going approvals).*
6. Drive better coordination of audits.  
*(Brokers and managing agents pressed for more coordination of coverholder audits. A coordination project is underway to work through 10-12 coordinated coverholder audits with a steering group of 6 managing agents, to identify challenges and solutions with a view to creating a framework for better future coordination).*
7. Coverholder auditors to be granted access to Atlas.  
*(Managing agents can provide DAT with a quarterly list of which auditors will require access for which coverholders for the coming 3 months).*
8. A joint working group of brokers, managing agents and Lloyd's to be set up to consider DA matters and manage communication and delivery of changes better.

### **Future changes**

#### Points of Clarification

9. New approval letter for new coverholders.  
DAT will examine any proposed application in advance of formal submission to give stakeholders an early 'heads up' on any potential issues.
10. Sub-delegation rules
11. Internet trading

A number of questions were raised concerning the rules on sub-delegation, including but not specifically, when the coverholder is trading on the internet. The Code of Practice will be revised again shortly and will cover this area in detail. In the meantime, all stakeholders are urged to contact DAT should clarification on sub-delegation or internet trading be required. Each example will be looked at on a case by case basis.

### On-going work

12. Lloyd's has been asked to look at the approval requirements for businesses that only issue paper and do no underwriting.
13. A series of recommended improvements to Atlas have been made. Atlas is being upgraded and is expected to be faster by end of Q1 2014. At that point, the various other recommendations will be reviewed.
14. Lloyd's has been asked to see whether more of the compliance work (chasing for documents, licences etc. on Atlas) could be done centrally. A cost benefit analysis is underway.
15. DAT has agreed to undertake a 'GAP analysis' examining the differences between information requested by Lloyd's against domestic company markets.
16. It has been suggested that binding authority business should carry different risk codes. These changes are being looked at.

Progress on these work streams will be reported quarterly to the various DA committees at LMA and LIIBA. If required, these details can be updated directly with anyone that contacts DAT.

Following our review, there were a number of recommendations that, unfortunately, could not be implemented. We will be writing to everyone that provided feedback and advise clearly where action cannot be taken with reasons.

Thank you again for the feedback provided.