

MARKET BULLETIN

REF: Y4759

Title	Change to Broker Professional Indemnity Excess Requirements
Purpose	Provide greater clarity and to bring further in line with FCA requirements
Type	Event
From	Anne Rannie, Manager, Broker Relationship Management, International Markets +44 (0)20 7327 5257 & anne.rannie@lloyds.com
Date	8 January 2014
Deadline	For new brokers – immediate, for existing brokers – 8 January 2015
Related links	http://www.lloyds.com/the-market/i-am-a/lloyds-broker/how-to-become-a-lloyds-registered-broker

There is a change to the requirements for the maximum acceptable excess applicable to a broker's professional indemnity (PI) cover. **This will impact some existing brokers and all future brokers.**

Under the existing rules the excess in respect of each claim must not be more than:

- 25% of the firm's net tangible assets for the last financial year, as shown in the firm's latest audited accounts; or
- £2,500,000

Whichever is less.

Following feedback from the market, there are a number of situations where a broker would not be able to obtain reasonably priced PI cover even where they are compliant with their regulator's requirements. There has also been confusion as to how net tangible assets are calculated.

Having consulted with LIIBA and the LMA, it has been decided that the new excess requirement will be drawn in line with FCA requirements (As detailed at <http://fshandbook.info/FS/html/FCA/MIPRU/3/2>) as follows:

The excess in respect of each claim must not be more than:

- 3% of annual income; or
- £2,500,000

Whichever is less

Should a firm wish to have an excess higher than the requirement above, it must hold capital in accordance with MIPRU 3.2.14

There are no changes to the limit of indemnity requirement.

For any **new broker** to the Lloyd's market, this requirement applies with **immediate effect**.

For **existing brokers** to the Lloyd's market, to allow a transition period, the final deadline by which a broker must be compliant with this requirement is **8 January 2015**.

As is currently the case, while the above new requirements represent Lloyd's minimum professional indemnity insurance requirements for a broker to remain registered as a Lloyd's broker, a managing agent may require higher levels of PI cover for prudential reasons when discussing its Terms of Business Agreements.

For further information on the PI requirements, please see the guidance for applicants located at: <http://www.lloyds.com/the-market/i-am-a/lloyds-broker/how-to-become-a-lloyds-registered-broker>

If you have any questions regarding this bulletin please contact David Charles-Jones on +44 (0)20 7327 6048 or at david.charles-jones@lloyds.com