

MARKET BULLETIN

REF: Y4770

Title	New version of the Coverholder Audit Scope
Purpose	To advise managing agents, auditors, coverholders, brokers and their various service providers of changes to the Coverholder Audit Scope
Type	Linked to the launch of the Coverholder Audit Scope Version 2
From	Peter Montanaro, Head Delegated Authorities
Date	10 February 2014
Deadline	The audit scope has been updated to reflect the changing requirements of market stakeholders. The new audit scope applies from this date forwards.
Related links	http://www.lloyds.com/the-market/i-am-a/delegated-authority/compliance-obligations/audit-scope

Background

A common Coverholder Audit Scope was created in March 2010 with the intention of improving the consistency of audits and the audit process, so making it easier for coverholders to work with the Lloyd's market and to support both managing agents and coverholders in meeting the expectations of regulators.

A Steering Group was formed in 2013 with representatives from the delegated underwriting committees and networking forums in the Lloyd's market to review and update the scope. The Steering Group worked with stakeholders from around the Lloyd's market and with auditors to revise the scope.

With many thanks to those who have contributed to date, Lloyd's is now pleased to circulate the new version of Coverholder Audit scope on behalf of the Steering Group.

The document should be treated as a living document with updates and changes to be communicated at relevant intervals.

Summary of changes

The audit scope has been split into two main sections, a general section and a contract specific section.

Significant changes have been made to the underwriting and claims management sections and questions as it is expected that there will be a greater focus on these.

There is a general focus on data quality and security and the scope includes questions that examine coverholder data and the quality controls that are in place. The objective is to ensure that the data shared by the managing agent, broker and coverholder is consistently maintained through data controls, security and an efficient reporting process at every level. This is particularly relevant for cross border business where controls required for regulatory data will need to be tested.

Appendices have been introduced for internet trading, consumer business, claims audits and an Atlas information review.

Guidance notes

A separate guidance notes document has been introduced. This document should be read by the parties to the audit, in advance of the audit, to ensure a good understanding of the reason why the question is being asked and the expectation of the format of the response.

Questions document

The questions document lists the questions to be asked by external auditors undertaking audits of coverholders on behalf of managing agents in the Lloyd's market.

The managing agent is expected to select the appropriate questions and sections they would like asked from the list given in the questions document.

In some regions and for some classes of business there may be additional topics which need to be examined, it is expected that the auditor and managing agent will discuss and agree these in advance of the audit.

Further Information

The scope will be discussed and explained in detail at Lloyd's coverholders' auditors' conference on 12 May.

In the meantime, please contact the coverholder helpdesk with any further questions, coverholders@lloyds.com

Further information on all aspects of delegated authority business is available here:-

www.lloyds.com/coverholders