

MARKET BULLETIN

REF: Y4847

Title Lloyd's Minimum Standards MS11 - Conduct Risk
Minimum MI Requirements

Purpose To inform managing agents of the minimum MI that must be obtained in respect of high product risk products underwritten through a binding authority where the Lloyd's Customer is domiciled or registered in the EEA.

Type

From Peter Montanaro, Head of Delegated Authorities

Date 5 December 2014

Deadline For action now prior to 1.1.16

Related links

In July 2014 Lloyd's issued its Minimum Standards in respect of Conduct Risk (MS11). The standards come into effect as from 1 January 2015 save that CR13 (Conduct Management Information ("MI")) does not come into force until 1 January 2016. Until then managing agents are expected to use their best endeavours to comply with CR13 and to ensure that they develop their MI processes so they are fully compliant with that standard as at 1 January 2016.

CR13 deals with conduct MI that might be collected by managing agents in order for them to determine whether they are treating Lloyd's customers fairly and, if not, what action needs to be taken by whom and when. CR13 also sets out examples of conduct MI that might be collected for products with a high product risk. The majority of such business is underwritten through binding authorities. Lloyd's is concerned to ensure that managing agents that seek to obtain appropriate conduct MI for products of this type are not commercially disadvantaged as a result. As a consequence, there has been widespread support for the proposal that Lloyd's should formulate a core set of MI that must be obtained in respect of high product risks underwritten through a binding authority for Lloyd's Customers within the EEA from 1.1.16 onwards.

Lloyd's has therefore worked closely with a working group of managing agents and coverholders to formulate such a core set of MI and these are attached at annex 1 ("Core

MI”). The Core MI covers core policy information and cancellation, complaints and claims data that must be collected.

Lloyd’s believes that the Core MI provides a sensible and pragmatic minimum set of MI that will generally assist managing agents to determine whether their Lloyd’s Customers are being treated fairly.

Lloyd’s has been anxious to publish the Core MI in good time to ensure that managing agents are able to include the requirement that coverholders provide Core MI in binding authorities entered into or renewed during 2015 which will delegate the authority to enter into contracts of (re)insurance on or after 1.1.16.

In applying these minimum data requirements managing agents should note the following –

1. The requirement to obtain Core MI (made under paragraph 63 of the Underwriting Byelaw) only applies in respect of –
 - high product risk products;
 - underwritten by a coverholder through a binding authority;
 - from 1.1.16 onwards; and
 - where a Lloyd’s Customer is domiciled or registered in the EEA.
2. Managing agents must consider with the coverholder and specify –
 - how often Core MI should be provided. It is anticipated that this will generally be monthly or quarterly;
 - how they wish the Core MI to be provided and in what format depending on their systems and the systems of the coverholder in question. Core MI which is already provided (for example, through existing bordereaux) does not need to be provided again;
 - whether any additional data is required given the Product Risk of the business the coverholder is accepting.
3. The data required to be collected in the Core MI is the minimum managing agents should obtain. Managing agents may need to supplement the Core MI with additional data fields as well as information from other sources including coverholder audits and other ad-hoc requests or reviews.

In seeking data from coverholders managing agents must ensure that they take account of the specific risk profile of the coverholder and ensure that their data requests are relevant, proportionate, and relate to the product risk of the coverholder.

Lloyd’s will keep under review the appropriateness of the Core MI requirements and any feedback on experience is welcome.

If there are any queries in relation to this bulletin including the application of the Core MI in any particular case please email conduct@lloyds.com

Annex 1

Minimum data requirement in respect of high product risk products underwritten through a binding authority
Periodic return
EEA business

The following fields of data (or information which enables the fields of data to be calculated or determined) must be obtained in respect of high product risk products¹ underwritten through a binding authority where the Lloyd's Customer is domiciled or registered within the EEA.

Core policy data – linked to a unique policy reference

1. Name of policyholder
2. Policy type (eg by risk code / other type agreed with Underwriters)
3. Policy Renewal – yes / no
4. Policy period (inception date / expiry date)
5. Unique policy reference
6. Total premium to be paid by Lloyd's Customer
7. Total other fees to be paid by Lloyd's Customer in connection with this Product
8. Total IPT
9. Amount to be paid to insurer(s) (net of commissions/brokerage)

Cancellation data – dynamic data by reference to unique policy reference

10. Date of cancellation
11. Reason for cancellation (by reference to drop-down menu) [main reason or multiple reasons if applicable]
 - a. Product unsuitable / misunderstood
 - b. Product too expensive
 - c. Alternative product purchased
 - d. Cover overlapped with pre-existing cover
 - e. Product cancelled within cooling off period
 - f. Product cancelled by underwriter
 - g. Poor service/complaint
 - h. Cover no longer required
 - i. Other (administrative reason)
 - j. Not known

¹ See CR5 in respect of assessing product risk

Complaints data – dynamic data by reference to unique policy reference

12. Date of complaint
13. Reason for complaint (by reference to drop-down menu) [main reason or multiple reasons if applicable]
 - a. Claim – coverage / terms and conditions
 - b. Claim – delay
 - c. Claim – quantum
 - d. Claim – standard of/duration/delay of repair
 - e. Cancellation / refund
 - f. Customer service
 - g. Product suitability
 - h. Other
14. Complaint upheld / rejected by coverholder
15. Date complaint upheld / rejected

Claims data –dynamic data by reference to unique policy reference

16. Date claim made
17. Claim open / closed / reopened
18. Amount claimed (where known)
19. TPA remuneration
20. Date coverage agreed (in whole or in part)
21. Date claim amount agreed (in whole or in part)
22. Date claim paid
23. Settlement value
- or
24. Date claim denied
25. Reason for denial (by reference to drop-down menu) [main reason or multiple reasons if applicable]
 - a. Non-disclosure
 - b. Non-payment of premium
 - c. Claims process not followed
 - d. Claim excluded/not covered
 - e. Claim within excess
 - f. Fraud
 - g. Other