

MARKET BULLETIN

REF: Y4884

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| Title | Changes to the Insurance (Lloyd's Asia Scheme) Regulations: Delegation of underwriting authority by Lloyd's Asia service companies to sub-coverholders |
| Purpose | To inform the Lloyd's Market of changes permitting Singapore service companies to sub-delegate underwriting authority |
| Type | Event |
| From | Kent Chaplin, Head of Asia Pacific, Managing Director, Lloyd's Asia |
| Date | 1 April 2015 |

This bulletin is addressed to all Lloyd's market participants with an interest in the sub-delegation of underwriting authority through Singaporean service companies. It provides a brief summary of agreed revisions to the Insurance (Lloyd's Asia Scheme) Regulations (the *Lloyd's Asia Scheme Regulations*), permitting such sub-delegation.

1. Background

Following representations by Lloyd's to the Monetary Authority of Singapore (MAS), MAS has agreed to amend the Lloyd's Asia Scheme Regulations to permit Singapore service companies to sub-delegate their underwriting authority to insurance intermediaries (*sub-coverholders*), both within Singapore and overseas. This is a common practice for Lloyd's service companies around the world.

To facilitate this change, the Lloyd's Asia Trust Deeds have also been amended to include provisions, similar to those in other premiums trust deeds, permitting trust assets to be held and dealt with by sub-coverholders.

This change is effective 1 April 2015.

2. Implications

These amendments permit Singapore service companies, from 1 April 2015, to sub-delegate to territories where Lloyd's underwriters are permitted to appoint sub-coverholders (including Australia, Hong Kong and New Zealand), authorising these sub-coverholders to underwrite business on behalf of the members for whom the Singapore Service Company acts as agent. Singapore service companies will also be permitted to sub-delegate to sub-coverholders in Singapore, subject to Lloyd's approval.

The amendments to the regulations and the Lloyd's Asia Trust Deeds will also permit sub-coverholders to receive and hold premiums attributable to members' Lloyd's Asia business in insurance monies accounts maintained by those sub-coverholders outside Singapore, pending transfer of such monies to the service companies in Singapore.

3. Process

Lloyd's has prepared an overview guide of the procedure for Singaporean service companies to establish a sub-delegation relationship (see [Crystal](#)).

Essentially, the appointment of sub-coverholders by Singapore service companies will follow the same process as is currently applicable to coverholders appointed by a Lloyd's managing agent, followed by notification to the MAS.

In summary, the Singapore service company must advise the administrator, Lloyd's Asia, of its proposed sub-coverholder arrangement. Lloyd's Asia would then evaluate the arrangement and also the ability of the service company to manage the relationship and monitor the coverholder business written going forward. The Lloyd's Delegated Authorities Team will remain responsible for approving any new sub-coverholder arrangement or where any existing coverholder is requesting the addition of a new territory or class of business, under its binding authority. If the proposed sub-coverholder is an existing Lloyd's coverholder with no changes, then only Lloyd's Asia needs to approve.

Following approval by Lloyd's, the MAS requires prior notification of at least 14 days, of any coverholder arrangement, via Lloyd's Asia. The MAS will require information on the name and registered address of the coverholder and details of the classes of business written through the coverholder.

Lloyd's Asia will also require year to date financial information on all the binding authority contracts held by the service companies to 31 December, annually.

5. Conclusion

This bulletin provides a brief summary only of changes to the regulations that affect sub-delegation. Anyone affected should read fully the relevant regulations, trust deeds, and overview guide, or contact either Shankar Garigiparthi (Garigiparthi.shankar@lloyds.com) or Sue Zajac (susan.zajac@lloyds.com) for further guidance or clarification.

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