

MARKET BULLETIN

REF: Y4995

Title	Lineage: Sanctions Screening processes
Purpose	To update managing agents and brokers about Lineage Sanctions screening process
Type	Event
From	<p>Sean Murphy, Attorney In Fact in Canada for Lloyd's Underwriters Sean.murphy@lloyds.com and 001 416 360 1512</p> <p>Andy Wragg, Senior Manager, Lloyd's International Regulatory Affairs, Risk Management and General Counsel Andy.wragg@lloyds.com and +44 (0)20 7327 6387</p>
Date	9 May 2016

Executive Summary

This bulletin revokes Market Bulletin Y4828. Its purpose is to notify managing agents with Canadian coverholders of the central sanctions screening processes in place for business written via the Lineage system.

This bulletin applies to managing agents with Canadian coverholders and third party claims administrators ('TPAS') reporting business through the Lineage system. The Lineage system is designed to centralise coverholder reporting of risks, and the addition of sanctions screening through Lineage provides added benefits to coverholders who report business through this system.

The sanctions screening processes described below have been in place since 7 October 2014.

- The Lineage system is enabled to screen centrally both policy and claims data for all Canadian domiciled coverholder business processed through the Lineage system.

- Managing agents will need to risk assess their coverholders/TPAs to determine if the screening performed through Lineage is sufficient to control the sanctions risk posed by each coverholder's book of business, or if additional screening is required.
- Additionally, managing agents must continue to communicate their requirements to their Canadian coverholders in respect of sanctions screening where the coverholder is binding international business, or business which is not subject to screening through Lineage.

Canadian Coverholders/TPAs will also receive this bulletin with an accompanying notice from Lloyd's Canada highlighting key processes for them to consider.

Background

Lloyd's requires that managing agents have processes and procedures in place to manage financial crime risk, including sanctions due diligence processes. Where managing agents delegate underwriting authority, Lloyd's expects managing agents to ensure that business underwritten by their coverholders complies with all applicable international sanctions.

These requirements are set out in [Market Bulletin Y4727](#).

With respect to certain Canadian binding authority business, enhancements have been made to the Lineage system which mean that both policy and claims payments processed through Lineage will be screened against certain sanctions lists in accordance with the process outlined below.

Managing agents must continue to assess their Canadian coverholders/TPAs for sanctions risk, in order to determine the appropriate level of sanctions screening by their Canadian coverholders/TPAs. Managing agents may decide that the Lineage screening process is an appropriate level of control for some Canadian coverholder business, and in those instances managing agents should communicate to their coverholders/TPAs that they do not need to undertake additional screening.

Managing agents should bear in mind that Canadian coverholder business not processed via Lineage and any international risks will fall outside the scope of the Lineage sanctions screening process. They should ensure their coverholders/TPAs have in place suitable screening measures for these types of business.

Screening process

Daily sanctions screening of risks processed through the Lineage system take place.

Specifically, this means that:

- Both policy (insured and risk name) and claims data (including claims payees) are screened against the OSFI, HM Treasury and US Treasury sanctions lists.
- As Canada and the United Kingdom are also subject to UN and EU sanctions regimes, these lists will automatically include entities and individuals that have been designated as sanctioned by the UN and EU.
- The screening takes place daily on a post-bind basis and it also screens claim payee data prior to the payment of a claim.
- As claims data is screened, it is **mandatory** that Canadian coverholders and TPAs complete the Payee Name(s) within Lineage.

Scope of screening

Daily screening of all risks within Lineage is undertaken, which due to their nature is restricted to **Canadian domiciled business**.

If a coverholder does not process business through Lineage and or underwrites risks which are not domiciled in Canada and which fall outside of the Lineage system, managing agents will need to determine if additional screening by them or the coverholder is required as part of their risk assessment of the coverholder. These expectations should be formally recorded and communicated to the coverholder.

Process for handling false positives and potential matches

- Whilst Lloyd's Canada will carry out an initial investigation of the screening results to determine if there is a match or potential match to Lineage records, it will only mark a match as "clear" if the name and details are clearly not the same.

- If a result shows a name match, regardless of any other identifying information, Lloyd's Canada will notify the match to the coverholder within 24 hours of any "working day" of receiving the screening results.
- It is for the coverholder to make further investigations and obtain more details of the insured and/or claims payee in order to confirm whether there is a match.
- If a coverholder and Lloyd's Canada investigates and determines that a potential match is not a match, this information will be recorded on the system (see below).
- In circumstances where the additional information still does not positively eliminate the potential match, the decision as to whether or not to mark this as 'safe' ultimately rests with the coverholder.

Escalation of confirmed matches

If the additional information obtained from the coverholder yields a confirmed match there are a number of actions that must be taken:

- Lloyd's Canada will notify the confirmed match to the International Regulatory Affairs (IRA) team in London, for liaison with the managing agent to agree reporting to HM Treasury (as relevant).
- Lloyd's Canada will notify the Canadian government authorities, such as the Royal Canadian Mounted Police.
- Lloyd's Canada will notify OSFI via its monthly statutory reporting.
- The coverholder must also escalate the finding to its lead managing agent.

Any further action required in respect of the specific risk will then be determined by the managing agent, in conjunction with the IRA team in London.

Written procedures for coverholders

Where a coverholder/TPA is using the Lineage screening tool to meet any screening requirements, Lloyd's expects managing agents to ensure that their coverholders/TPAs have written procedures in place setting out the action they will take when a match or potential match to a policy or claim is identified through the screening process. These procedures should set out:

- Who within the coverholder firm/TPA has responsibility for receiving notifications, investigating and reporting matches and potential matches. This person should have an appropriate level of seniority within the coverholder firm.
- The actions required to investigate matches and potential matches.
- The service standard or timeframe required to investigate a match. It is recommended that investigations are dealt with in a prompt manner to ensure that there are no inadvertent sanctions breaches and a measurable service standard is a way to ensure this.
- How the results of these investigations should be recorded. This must also include where, after investigation, a potential match is classified as a “false positive”. It is good practice to ensure that due diligence around matches is documented and kept on file so that there is a clear audit trail of the steps taken to ensure compliance.
- What the escalation and reporting process is for any matches identified, including to the managing agent and Lloyd’s Canada.

For further information about Lloyd’s requirements for financial crime/sanctions compliance managing agents can visit [Lloyds.com](https://www.lloyds.com) or alternatively contact:

Lloyd’s International Trading Advice

Lloyd’s Desk, Ground Floor, Underwriting Room

Telephone: +44 (0) 20 327 6677

Email: LITA@lloyds.com

www.lloyds.com/Crystal