
Title Annual Compliance for coverholders – new risk-based and streamlined process

Purpose To inform the market of Lloyd's new annual compliance process for coverholders

Type Event

From Paul Brady, Head of Policyholder & Third Party Oversight, Performance Management

Date 15 January 2018

Deadline

Related links www.lloyds.com/the-market/i-am-a/delegated-authority/compliance-and-operations/annual-compliance

<https://www.lloyds.com/the-market/i-am-a/delegated-authority/compliance-and-operations/code-of-practice>

From January 2018 Lloyd's is launching a new risk based annual process for ensuring that core compliance information required from coverholders remains up to date. Lloyd's is introducing this to improve its ongoing oversight of coverholders and this process is being introduced following market consultation.

The new process will have wider benefits for managing agents and coverholders as it should reduce duplicative requests for core compliance information from coverholders and reduce pressure from due diligence requests at the renewal of binding authority contracts.

How the new process will work

As part of its coverholder oversight role, Lloyd's coverholder compliance team will centrally collate approved coverholders' core entity level compliance information. This will include financial statements, evidence of professional indemnity insurance and certain core procedure documentation. Lloyd's will also ensure that this information is updated on ATLAS, the coverholder system of record. The information that Lloyd's will request is set out in the [Code of Practice for Delegated Authorities](#) and also in the [Guidance Booklet](#), available on [lloyds.com](https://www.lloyds.com).

To obtain this information Lloyd's will contact coverholders each year, requesting that they verify that their core compliance information as held on ATLAS remains up to date. This will be achieved through an annual attestation process. In conjunction with managing agents writing binding authorities to those coverholders, Lloyd's will create compliance risk profiles for each coverholder to ensure that it only asks for relevant compliance information.

Any document or information that has been updated can either be uploaded directly on to ATLAS, or if the coverholder prefers, can be sent to Lloyd's coverholder compliance team who will be happy to upload the document for them.

If a coverholder or Lloyd's broker would prefer the attestation process to be managed through the Lloyd's broker (rather than direct to the coverholder) please contact coverholdercompliance@lloyds.com.

Lloyd's will then check the core compliance information to ensure that the coverholder continues to meet Lloyd's criteria for ongoing approval. If a coverholder does not provide the relevant documentation/information then that may impact the coverholder's ongoing approval. Any instances where this is found to be the case will be managed in conjunction with the coverholder, broker and relevant managing agents before any decisions regarding ongoing approval are made.

Implications for managing agents and coverholders

All parties who have a relationship with a coverholder will be able, as currently, to access the coverholders compliance information on ATLAS. **This means that managing agents do not need to separately request and collect the core information obtained by Lloyd's as that information will be available on ATLAS.** This should also mean that coverholders do not need to respond to duplicative (and possibly inconsistent) requests for core compliance information.

For larger coverholders, with multiple offices, or for corporate groups with a number of approved coverholders, a central compliance record with its own PIN has been created to allow access in one place to all shared core compliance information.

Managing agents should note that while Lloyd's will review the core compliance documentation provided by coverholders it remains the managing agent's responsibility to perform its own due diligence assessment appropriate to the level of authority granted to the coverholder (see the [Code of Practice – Delegated Authority](#) (Sept 2017), Part 5). It also remains the responsibility of managing agents to ensure that they are compliant with any other regulatory obligations for delegation of underwriting authority and outsourcing and therefore obtain any additional information they need from the coverholder. In the UK, this includes having regard to the relevant FCA / PRA requirements and guidance for outsourcing, including the provisions at SYSC 3.2, SYSC 8 and SYSC 13.

Further Information

A [leaflet](#) and [guidance booklet](#) for coverholders with further information for coverholders is available on [lloyds.com](#). Lloyd's brokers (and managing agents where there is no broker) should ensure this is cascaded to their coverholders.

Full details of Lloyd's annual compliance process for coverholders can be found on [lloyds.com](#).

If you have any queries about this market bulletin, please contact:

Lloyd's Coverholder Compliance Team
Telephone: +44 (0)20 7327 6275
Email: coverholdercompliance@lloyds.com