

Brexit – risks to be bound to binding authorities until 31 December 2018

**Title****Purpose**

To advise the market of the immediate action that is required for Binding Authorities post Brexit and that Insurance risks located in the EU/EEA may only be bound to binding authorities from Lloyd's Underwriters until 31 December 2018

**Type**

Event

**From**

Paul Brady  
Head of Policyholder & Third Party Oversight  
Performance Management

**Date**

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**Deadline**

31 December 2018 - the last date on which EU/EEA risks may be bound under binding authorities issued by Lloyd's underwriters

**Related links**

[www.lloyds.com/brexit](http://www.lloyds.com/brexit)

Lloyd's continues to implement the plans it has previously announced for the writing of EU/EEA business following the expected departure of the United Kingdom from the European Union on 29 March 2019.

From 29 March 2019 it is expected that Lloyd's underwriters will no longer have the current licences to carry on insurance business in the EU/EEA (reinsurance business and marine, aviation and transport business need to be looked at separately and further guidance will be issued by Lloyd's). This will require the underwriting of both new and renewal EU/EEA business to Lloyd's newly established Lloyd's Brussels subsidiary, Lloyd's Insurance Company S.A. This bulletin provides some practical details regarding coverholder business.

Further details can be found at [www.lloyds.com/brexit](http://www.lloyds.com/brexit)

### **(1) Binding authority business**

Managing agents will need to work with their coverholders to ensure that all EU/EEA located risks are written on behalf of Lloyd's Brussels (rather than on behalf of Lloyd's Underwriters) from 1 January 2019.

This means that existing binding authorities that cover such risks should either be -

- terminated or cancelled and replaced with effect from 31 December 2018; or
- coverholders should be clearly instructed not to bind any business under existing Lloyd's underwriters' binding authorities after this date.

### **(2) Coverholder appointment agreements for EU/EEA business**

For managing agents that intend to continue writing EU/EEA binding authority business after 31 December 2018, Lloyd's will be providing details of how to write that business through Lloyd's Brussels. That will include details regarding –

- a new coverholder appointment agreement for EU/EEA business. This will be modelled on the existing LMA binding authority wording and will be mandatory for coverholders writing EU/EEA located risks.
- a number of new model certificates/policies for EU/EEA territories.
- information regarding global policies and how the binding authorities should be structured for both EU/EEA located risks and non-EU/EEA located risks.

The draft coverholder appointment agreement wording will be made available by the end of March 2018. Further information will be provided in the Brexit toolkit, which will be available via your firm's appointed Brexit contact. This will be a live document that will be updated as we move through the various stages of the Brexit programme. This will include advice regarding service company arrangements.

Managing agents should discuss as soon as possible with their coverholders/brokers the arrangements needed to ensure the timely organisation of new coverholder appointment agreements with "Lloyd's Insurance Company SA" security.

### **(3) Coverholder Approval**

New Coverholders - Any new coverholder that proposes to underwrite EU/EEA business on behalf of Lloyd's Brussels will need to be prior approved. The approval process will use existing processes and further information will be included in the toolkit.

Existing Lloyd's approved coverholders – Any existing Lloyd's approved coverholder that currently underwrites EU/EEA located risks will be "grandfathered" as an approved

coverholder of Lloyd's Brussels. Lloyd's will liaise with managing agents' DA teams to ensure all relevant existing Lloyd's coverholders are grandfathered.

**(4) Certificate/Policy wordings**

Any certificate/policy issued by a coverholder on behalf of Lloyd's Brussels after 31 December 2018 must clearly identify "Lloyd's Insurance Company SA" and not "Lloyd's underwriters" as the security. The certificate/policy may be "co-branded" with the identity of the managing agent/reinsuring syndicate. Further guidance will be provided.

**(5) Legacy "Lloyd's underwriters" business**

Lloyd's continues to await clarification of the transitional arrangements from the UK government and the EU in respect of the administration of EU/EEA business after 31 December 2018 where that business was written prior to that date. Lloyd's is also continuing to investigate suitable arrangements to ensure the interests of policyholders can continue to be protected in the absence of appropriate transitional arrangements being put in place.

**(6) Further Information**

If you have any questions please contact the Brexit team at [brexit@lloyds.com](mailto:brexit@lloyds.com).

Otherwise, further information on Lloyd's arrangements for Brexit can be found at [www.lloyds.com/brexit](http://www.lloyds.com/brexit) or on Crystal at [www.lloyds.com/crystal](http://www.lloyds.com/crystal).

Note. This bulletin refers to 'EU/EEA' to include the 27 members of the EU once the UK has left as well as the three EEA members; Iceland, Liechtenstein and Norway.