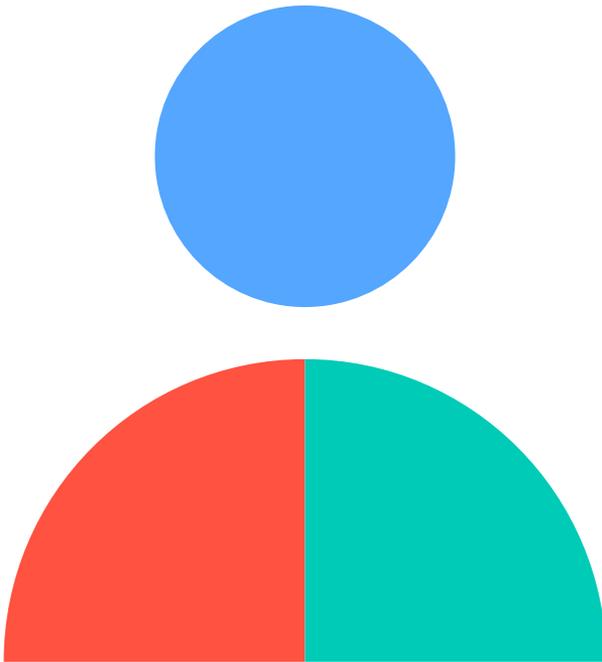


Accessing the Lloyd's market as a non-Lloyd's broker



A guide for brokers wishing to access the Lloyd's market without registering as a Lloyd's broker, and for managing agents wishing to accept business from a broker that is not registered as a Lloyd's broker.

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Lloyd's is the global centre for specialist insurance and reinsurance, with brokers being at the heart of the distribution chain. Lloyd's offers a secure market of diverse participants, each with differing strategies and risk appetites, where policyholders benefit from Lloyd's financial security and unrivalled expertise.

Lloyd's brokers

Brokers wishing to have full access to the Lloyd's market, can register as a Lloyd's broker. Registering as a Lloyd's broker offers:

- Efficient and direct access to the world's largest specialist insurance market, with the ability to transact business with every syndicate in the Lloyd's market. Lloyd's brokers can conduct business directly with managing agents, without the need to include other brokers.
- Access to Lloyd's brand - gaining a competitive advantage from the strongest brand in insurance.
- Membership of a prestigious community of like-minded professionals at the heart of one of the world's most dynamic financial centres.
- The ability to contribute to global business flows from over 200 countries and territories where Lloyd's is licensed.

For full information on the benefits of becoming a Lloyd's broker and how to register, please read the following online guide - [Becoming a registered Lloyd's Broker: A guide for applicants](#).

Lloyd's brokers have strong direct relationships with underwriters and a good understanding of how the Lloyd's market operates. They are familiar with the process of placing a risk at Lloyd's as well as processing it in the Lloyd's market.

A complete listing of registered Lloyd's brokers is accessible on the [Lloyd's Market Directory](#).

Non-Lloyd's brokers

In some cases, brokers may prefer not to become a registered Lloyd's broker. For example, this may be the case where the broker only expects to enter into a Terms of Business Agreement (TOBA) and place business with a single managing agent at Lloyd's.

A broker that is not registered as a Lloyd's broker but has a TOBA with a Lloyd's managing agent, in accordance with the requirements set out in this document, is referred to as a **non-Lloyd's broker**.

Whether a Lloyd's broker or a **non-Lloyd's broker**, all brokers at Lloyd's are expected to maintain and uphold high standards of service and professionalism.

In particular, brokers are expected to:

- Conduct business in a professional manner at all times.
- Comply with all laws and regulatory requirements that apply either in the UK or in any other country where the broker transacts business.

The following table identifies the features and benefits of a **non-Lloyd's broker**, when compared with a registered Lloyd's broker or a producing broker (that is not registered as a Lloyd's Broker or a **non-Lloyd's broker**).

The guidance that follows explains the requirements and steps to be taken by brokers that are seeking to place business directly in the Lloyd's market, and by managing agents wishing to accept business directly from a **non-Lloyd's broker**.

	Lloyd's broker	Non-Lloyd's broker	Producing broker (not registered as a Lloyd's broker or a non-Lloyd's broker)
Ability to transact business directly in the Lloyd's market (subject to TOBAs being agreed)	✓	✓	✗
Ability to transact business with the Lloyd's market as a producing broker, in collaboration with another Lloyd's (placing) broker	✓	✓	✓
Ability to place binding authorities (directly) in the Lloyd's market	✓	✓	✗
Ability to access Central Settlement in order to transact and process premiums and claims in the Lloyd's market	✓	✓	✗
Ability to use and leverage the Lloyd's branding - as an active member of the world's global centre for specialist insurance and reinsurance	✓	✗	✗
Ability to access unique Lloyd's market regulatory and data analysis tools e.g. Crystal/Crystal+, (full access), Insights Hub etc.	✓	✗	✗
Ability for employees to (directly) secure Lloyd's building passes	✓	✗	✗

A high level summary, outlining the requirements that apply to each party involved, is shown in the diagram below:



The requirements and steps to be taken by the prospective non-Lloyd's broker

If a broker has decided to become a non-Lloyd's broker, then they do not need to follow the Lloyd's broker registration process. They will however still need to meet a number of requirements that apply equally to both Lloyd's brokers and non-Lloyd's brokers. These requirements are intended to ensure:

- that the broker has the necessary authorisations in the territories;
- that they meet certain minimum requirements for handling insurance money and professional indemnity cover, and;
- that they are able to operate in the Lloyd's market, using the various central systems that we have in place.

We list out these requirements here and the non-Lloyd's broker will need to provide appropriate evidence of how they meet the requirements to any managing agent with which it proposes to enter into a TOBA.

The requirements and steps to be taken by the prospective non-Lloyd's broker

Appropriate regulatory approval

If the non-Lloyd's broker is established within the UK, the firm must be fully authorised as a general insurance intermediary to conduct the applicable regulated activities by the Financial Conduct Authority (FCA). If the non-Lloyd's broker is established outside of the UK, the firm must be authorised by an appropriate regulatory or statutory body. Additionally, the broker will need to demonstrate that the firm has appropriate FCA authorisation for any UK activities or that it is exempt.

Able and willing to enter into a TOBA with a managing agent

A non-Lloyd's broker must be able and willing to enter into a Terms of Business Agreement (TOBA) with each Lloyd's managing agent with whom they intend to do business.

Arrangements for conducting business in the Lloyd's market

A non-Lloyd's broker must be able to demonstrate that they have adequate, suitable and compatible systems, protocols and arrangements for conducting business in the London market, including connection to a recognised and accredited electronic system for the placement of contracts of (re)insurance. An accredited placing platform is a system used by brokers and underwriters to facilitate and support the electronic capture, placing, signing, and closing of a risk. Accredited placing platforms include PPL NextGen, Whitespace and Ebix Placing Hub, as well as broker and carrier own systems with similar functionality.

If the business being produced is to be underwritten entirely (100%) by a managing agent's own syndicate(s),

and there will be no following market, then the managing agent may decide that it is capable of handling and processing the business for itself. If this is the case, then it may not be necessary for the non-Lloyd's broker to be connected to one or more of the market central systems. The managing agent will be able to provide further guidance to the broker on this.

Procedures to safeguard insurance monies

A non-Lloyd's broker must be able to demonstrate that they have suitable procedures in place to ensure insurance monies are properly safeguarded (including premium, return premium and claims monies).

If the broker is established within the UK this means demonstrating that the firm meets the FCA's client money rules (as set out in the FCA's Handbook at CASS). If the broker is established outside of the UK, the firm will need to be able to demonstrate that arrangements equivalent to the FCA's requirements are in place to safeguard insurance monies.

Professional indemnity insurance

A non-Lloyd's broker must have in place and maintain professional indemnity insurance that meets the requirements of the UK's FCA for UK authorised firms. These requirements can be found at the following link: <https://www.fca.org.uk/firms/professional-indemnity-insurance>

This minimum requirement for professional indemnity insurance is applicable to every non-Lloyd's broker, including those that are based outside the UK and where the local regulatory requirements for professional indemnity insurance may be less than those required by the FCA.

The requirements and steps to be taken by the supporting managing agent

Prior to entering into a TOBA with a new non-Lloyd's broker, in addition to undertaking its own due diligence assessment of the firm, a managing agent must ensure that the broker meets the minimum requirements that are referenced within this guide.

Managing agents are asked to notify Lloyd's when entering into a TOBA with a new non-Lloyd's broker. A form has been prepared to support the notification to Lloyd's and can be found in ANNEX 1 of this guide.

The requirements and steps to be taken by the supporting managing agent

Managing agents are required to satisfy themselves and, where appropriate, retain evidence with regard to each of the following:

- That the broker has the necessary and appropriate regulatory approvals to act as an authorised general insurance intermediary (or equivalent in its local territory).
- That the broker has adequate, suitable and compatible systems, protocols and arrangements for conducting business in the London market – where required, this includes being satisfied that as a non-Lloyd's broker, the broker can properly operate the necessary accounting, settlement and claims advice and settlement processes to transact at Lloyd's (using its own systems or those of an outsource provider). It also includes connection to a recognised and accredited electronic system for the placement of contracts of (re) insurance.
- That the broker has suitable procedures in place for safeguarding insurance monies it

holds (including premium, return premium and claims monies).

- That the broker has in place (and will maintain) professional indemnity insurance that meets the requirements of the UK's FCA for UK authorised firms irrespective of the broker's geographical location.

If the managing agent is relying on a (new) non-Lloyd's broker to transact and process the business in the Lloyd's market (of particular importance when dealing with subscription business), then this ability will be a key factor in a managing agent deciding whether it should do business with the broker. Only once Velonetic has confirmed the non-Lloyd's broker's ability to handle the business processing, would a managing agent be able to enter into a TOBA.

It is recognised that each managing agent may have its own additional due diligence requirements to those set out in this guide.

The Lloyd's Market Association (LMA) and the London International Insurance Brokers Association (LIIBA) have agreed model Terms of Business Agreements which can be obtained from the Lloyd's Market Association (www.lmalloyds.com). While the LMA/LIIBA model wording offers one wording that can be used, parties are free to amend it or use a different agreement if they wish.

The TOBA must record the general terms and conditions upon which the managing agent and the broker will conduct business and cover (at a minimum) the following areas:

Broker's authority: the scope of the authority of the placing broker.

Premium and claims: details of the managing agent's and broker's responsibilities regarding the holding and payment of premiums and claims monies, including the timing of such payments and whether on a risk transfer or non-risk transfer basis.

Ownership of and access to records: the rights of access, that the managing agent and broker have, in respect of each other's records relating to risks placed.

Law and jurisdiction: the law and jurisdiction applicable to the TOBA must be stated – this would normally be in English law and jurisdiction where the managing agent and broker are conducting business at Lloyd's, in London.

In addition to notifying Lloyd's when entering into a TOBA with a new **non-Lloyd's broker**, managing agents are requested to inform Lloyd's if they decide to stop doing business with the firm, to ensure that Lloyd's records are updated accordingly.

It is especially important that a managing agent notifies Lloyd's if they have any reasons to be concerned about the integrity or reputation of a **non-Lloyd's broker**.



The Velonetic process

Lloyd's is a market made up of a large number of participants and various services have traditionally been operated centrally on behalf of the market, by Lloyd's. Lloyd's outsources a number of these services to Velonetic. This includes:

- Processing premiums and claims.
- Checking or producing policies (where required).
- Providing data on behalf of the market for regulatory purposes.
- Supporting Lloyd's Settlement & Trust Fund Operations (STFO), which operates Lloyd's central accounting arrangements, by maintaining Lloyd's central settlement system.

In order to transact and process business in the Lloyd's market, a non-Lloyd's broker will need to be able to use Velonetic's systems to a competent standard and also have a competent understanding of Lloyd's Central Settlement.

The Velonetic process

A non-Lloyd's broker can either handle processing through Velonetic themselves or they can outsource this work to a third party, including Velonetic. If a non-Lloyd's broker chooses to outsource this function to a third party, then the third party will undertake the Velonetic set up on their behalf.

The stages that a non-Lloyd's broker will have to complete with Velonetic in order to achieve sign-off are:

- Allocation of a Central Settlement Number (CSN).
- Completion of bank mandates.
- Completion of system documentation - to allow access to various Velonetic systems, including the Insurers Market Repository (IMR).
- Meeting (whether in person, by telephone or video conference) with Lloyd's STFO to ensure they are aware of how premiums/claims monies are moved through Lloyd's and timelines associated.
- Training and testing – Velonetic will provide training on Accounting

and Settlement (premiums) and Electronic Claims File (Claims) systems.

There is an administration fee payable by the non-Lloyd's broker, to Velonetic, for the registration and set-up process.

For any enquiries regarding the Velonetic process please contact: ServiceTeamCore@dx.com

For any enquiries regarding Lloyd's Central Settlement please contact: Lloyd's Settlement & Trust Fund Operations - Lloyds-STFOMail@lloyds.com

As noted earlier, if the business being produced is to be underwritten entirely (100%) by a managing agent's own syndicate(s) then the managing agent may decide that it is capable of handling and processing the business for itself. If this is the case, then it may not be necessary for the non-Lloyd's broker to require connection to a recognised electronic system.

Lloyd's role

Provided that the non-Lloyd's broker is able to demonstrate to each managing agent, with which it intends to enter into a TOBA, that it complies with the requirements set out in this guide, then Lloyd's does not expect to be involved in the process.

Following the entering into a TOBA with a new non-Lloyd's broker, the managing agent should notify Lloyd's of this new agreement by completing and submitting ANNEX 1 of this guide.

Lloyd's may, in certain circumstances, wish to audit a managing agent's processes for assessing and transacting with non-Lloyd's brokers.

Further information

For further information on the contents of this guide please contact the Global Marine Services & Broker Oversight (GMSBO) team at Lloyd's: brokers@lloyds.com

Telephone: 0207 327 5521

[Instagram](#) Lloyd's of London
[LinkedIn](#) Lloyd's of London
[YouTube](#) Lloyd's Insurance

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Who regulates Lloyd's?

Lloyd's is regulated in the UK by the FCA and the PRA. Managing agents operating in the Lloyd's market are each separately regulated by the PRA and FCA. Lloyd's members' agents are regulated by the FCA. Intermediaries in the UK are regulated by the FCA. Insurance intermediaries established overseas will require appropriate authorisation from their local regulator and if carrying on regulated activities in the UK may additionally require authorisation from the FCA.

How can I find out about syndicates and their managing agents?

A current listing of managing agents, the syndicates that they manage and contact details can be obtained from www.lloyds.com/marketdirectories.

Where can I find out about Lloyd's trading licences?

Information regarding Lloyd's ability to trade worldwide and the network of overseas Country Managers can be obtained on www.lloyds.com or by telephoning the Lloyd's International Trading Advice helpdesk on +44 (0)20 7327 6677 or by emailing: lita@lloyds.com

Must a non-Lloyd's broker have a Terms of Business Agreement with each Lloyd's managing agent?

A non-Lloyd's broker does not have to obtain a TOBA with every managing agent at Lloyd's, but the firm must enter into a TOBA with any managing agent they intend to trade with before business is placed. Each managing agent's decision to grant a TOBA will be based on their own commercial considerations and assessment of the broker's compliance with the requirements set out in this guidance document.

If a broker intends to place EEA risk(s) they will additionally need to enter into a TOBA with Lloyd's Insurance Company S.A. (LIC). For more information on placing business with LIC, please visit the website www.lloydseurope.com

Can a non-Lloyd's broker use the designation of "Lloyd's broker" and/or use the Lloyd's branding to promote their company?

No. The title "Lloyd's broker" can only be used by a registered Lloyd's broker. Nor should a non-Lloyd's broker include in their marketing any copy that may imply that they are "approved" in any way by Lloyd's. Similarly, a non-Lloyd's broker is not able to access and utilise the Lloyd's branding (including the Lloyd's logo) to promote their operation.

Is a non-Lloyd's broker able to obtain a Lloyd's pass? If so how?

The expectation is that a managing agent will arrange a day pass to enable an employee of a non-Lloyd's broker to access the Lloyd's building. Where the level of interaction justifies a permanent pass then the relevant managing agent may, if it thinks appropriate, sponsor an application for a Lloyd's Annual Subscriber pass, which entitles the passholder to undertake insurance business in the Room at Lloyd's.

More information on this process, together with the applicable Lloyd's Annual Subscriber pass application form, can be obtained from the website www.lloyds.com

Lloyd's has the right to refuse to issue a pass or withdraw a pass that has been issued.

Is a non-Lloyd's broker able to access central settlement and have their own central settlement number(s)?

Yes. As referenced within this document (The Velonetic Process section), it is a key element of the process that the applicant broker is able to demonstrate their ability to use the market's central settlement system. In order to use the system it is necessary for the broker to have a central settlement number (CSN).

Can a non-Lloyd's broker place binding authorities?

Yes, however managing agents will need to be satisfied that the non-Lloyd's broker can properly place and service the business. For more information please contact the Delegated Authority team at Lloyd's: coverholders@lloyds.com

ANNEX 1

Notification to Lloyd's of acceptance of business from a non-Lloyd's broker

This is to notify Lloyd's that:

1 We [name of managing agent], intend to accept business from the following non-Lloyd's broker:

Name of non-Lloyd's broker:

Address:

2 We confirm that we have assessed the non-Lloyd's broker and we are satisfied that the broker satisfies the relevant criteria as prescribed by Lloyd's under the requirements made under paragraph 27 of the Underwriting Byelaw*, and Chapter 2 of the Underwriting Requirements** (paragraphs 18 and 19), having taken into account the guidance provided by Lloyd's in the document "Accessing the Lloyd's market as a non-Lloyd's broker".

3 We confirm that we will provide any information regarding the non-Lloyd's broker that Lloyd's (including any Lloyd's general representative, country manager, attorney-in-fact, fiscal representative or agent) may from time to time request, and we will inform Lloyd's of any matters of concern relating to the non-Lloyd's broker of which Lloyd's may reasonably be expected to be informed.

Signed (Director): Date:

Please email the completed form to brokers@lloyds.com

*Underwriting Byelaw (see paragraph 27)

**Underwriting Requirements - Chapter 2 (see paragraphs 18 & 19)