

Lloyd's Coverholder and DCA Coordinated Audits

Best Practice Guidance

May 2026

Coverholder and DCA Coordinated Audit Best Practice Guidance

Table of Contents

1.1 Purpose of Lloyd’s Coordinated Audits	[3]
2.0 Delegated Audit Manager (DAM)	[3]
3.0 Auditor Registration & Quality Rating	[5]
3.1 Auditor Registration	[5]
3.2 Managing Agent Auditor Panel Onboarding and Ongoing Oversight	[5]
3.3 Auditor RFIs in DAM	[5]
3.4 Auditor Terms of Business Agreement (TOBA)	[5]
3.5 Auditor Quality Rating	[5]
4.0 Annual Audit Scheduling	[6]
4.1 Coordinated Annual Audit Schedule	[6]
4.2 Non-Coordinated Audits (Solo Audits)	[6]
4.3 Audit Frequency Criteria	[6]
4.4 Auditor Selection	[7]
4.5 Auditor Acceptance of Assignments	[8]
4.6 Joining Scheduled Audits in DAM	[8]
4.7 Amendments to the Audit Schedule	[8]
4.8 Choosing to opt out of an Audit	[9]
5.0 Audit Scoping	[9]
5.1 Scoping Audits in DAM	[9]
5.2 Scoping Considerations	[9]
5.3 Co-Lead Binders	[10]
5.4 Company Market Lead BAAs / CAAs	[10]
6.0 Audit Quotes	[11]
6.1 Providing Quotes in DAM	[11]
6.2 Accepting or Rejecting Quotes in DAM	[11]
7.0 Audit Site Visits	[11]
7.1 Entering Audit Information	[11]
7.2 Audit Preparation Guidance for Coverholders and DCAs	[11]
8.0 Audit Remediation	[12]
8.1 Entering Findings and Recommendations in DAM	[12]
8.2 General Recommendations	[12]
8.3 UMR Specific Recommendations	[13]
8.4 Reporting Third Party Material Issues (TPMI)	[13]
8.5 Follow Market Expectations	[13]
9.0 Lloyd’s Governance and Oversight	[14]
9.1 SLAs & Escalations	[14]
9.2 Auditor Performance Feedback to Lloyd’s	[14]

Why Guidance is Needed

The Lloyd's Coordinated Audit process reduces the regulatory burden of multiple annual audits for coverholders and Delegated Claims Administrators ("DCA") with multiple Lloyd's leads.

This guidance is intended to ensure managing agents are utilising the Lloyd's Coordinated Audit process in a consistent manner. This guidance is intended to complement any audit guidance provided by the Lloyd's Market Association ("LMA").

1.1 Purpose of Lloyd's Coordinated Audits

Managing agents must have appropriate oversight mechanisms in place in order to mitigate any risks presented through delegating a binding authority agreement.

Audits can serve as one of many mechanism to ensure that coverholders are entering into delegated authority contracts in line with the terms of the binding authority agreement ("BAA") or Coverholder appointment agreement ("CAA") and that the DCA is adjusting claims on behalf of the managing agent in accordance with their service agreement. Additionally, audits help verify adherence to company policies and procedures and identify areas where the coverholders and DCAs can reduce risk or enhance operational efficiency.

Lloyd's coordinates coverholder and DCA audits for managing agents when there are two or more with a lead binding authority agreement. This coordination reduces the regulatory burden of multiple annual audits for coverholders and DCAs with multiple Lloyd's leads.

The annual coordination process and its associated Service Level Agreements (SLAs), agreed by managing agents, are designed to ensure the end-to-end audit assignment is completed within a maximum of six months, from scoping to post-audit action issuance.

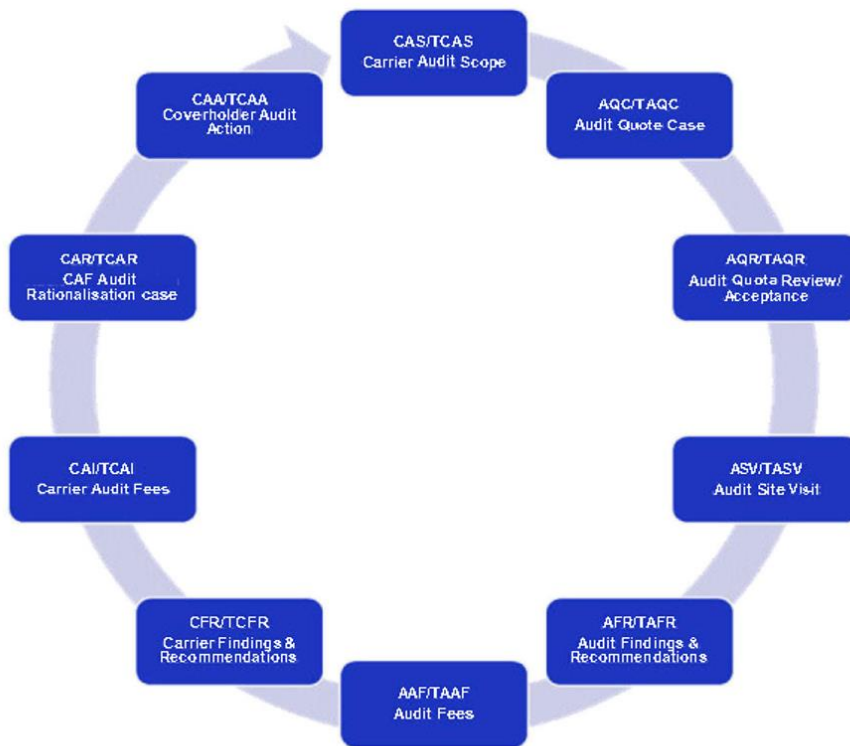
2.0 Delegated Audit Manager (DAM) Lifecycle

The audit coordination process is automated through the online platform Delegated Audit Manager ("DAM").

This platform is managed by the London Market Operations & Strategic Sourcing Limited ("LIMOSS") and can be accessed via LIMOSS SSO.

[LIMOSS | Delegated Audit Manager \(DAM\)](#)

Fig 1. DAM Life Cycle



Audit/ Delegated Audit Manager Acronyms

AAR/TAAR	Audit Action Review
AFR/TAFR	Audit Findings Request
AQC/TAQC	Auditor Quoting Case
AQR/TAQR	Audit Quote Review
APC/TAPC	Audit Processing Case
ASV/TASV	Audit Site Visit
CAR/TCAR	CAF Audit Rationalisation
CAI/TCAI	Carrier Audit Invoice
CFR/TCFR	Carrier Finding and Recommendation
CAA/TCAA	Coverholder/TPA audit action
RFI	Request for Information
MSC/TMSC	Master Scheduling
US/TUSI	Update Scheduling Information
CAF	Central Audit Function
TPA/DCA	Delegated Claims Administrators

**"T" refers to a TPA / DCA Audit.

3.0 Auditor Registration & Quality Rating

3.1 Auditor Registration

Auditors seeking to undertake Lloyd's coordinated audits must be registered on DAM.

The requirements for becoming a registered auditor are set out in the [Lloyd's Auditor Registration Onboarding](#) process document. Auditors must be able to demonstrate that they meet the minimum requirements outlined within this document.

To apply for registration, auditors are required to complete the [Auditor Registration Form](#) and provide a sponsoring letter of support from a managing agent.

3.2 Managing Agent Auditor Panel Onboarding and Ongoing Oversight

As part of their overall Delegated Authority Audit Framework, managing agents should maintain their own preferred auditor panels. Managing agents are responsible for conducting due diligence of the auditor to satisfy their own requirements utilising the Request for Information ("RFI") held within DAM.

3.3 Auditor RFIs in DAM

Lloyd's expects auditors to ensure that their information held in DAM remains accurate and up to date at all times. As part of this requirement, auditors must complete an annual RFI task within DAM. Lloyd's will review the information provided to confirm that the minimum registration requirements, as set out in the [registration guidance](#) continue to be met.

Managing agents remain responsible for undertaking their own ongoing due diligence and auditor panel reviews, in line with their internal risk frameworks

3.4 Auditor Terms of Business Agreement

Managing agents should consider having appropriate Terms of Business Agreement ("TOBA") in place with the auditor. The standard LMA9165 TOBA agreement is available via the [Wordings Repository](#).

3.5 Auditor Quality Rating

Please refer to the [Lloyd's Auditor Quality Rating guidance](#) for full details of the process for providing quality ratings to auditors.

Managing agents are encouraged to provide performance feedback directly to auditors in the first instance. Where systemic or material issues are identified, these should be discussed with the Lloyd's Audit & Engagement Team.

4.0 Annual Audit Scheduling

4.1 Coordinated Annual Audit Schedule

All coordinated coverholder and DCA audits must be scheduled via DAM.

Please refer to the [Scheduling Process](#) information for a full overview of the audit scheduling process.

To ensure that DAM scheduling deadlines are met, managing agents are encouraged to review their audit requirements in advance by applying their risk criteria ahead of Lloyd's initiating the USI/TUSI selection tasks in DAM in July. Managing agents should prepare a list of the coverholders and DCAs they wish to audit, together with their preferred audit quarter and auditor.

Once the selection task is initiated in DAM, managing agents have 14 days to complete the task. Any managing agent that does not complete the selection task within this timeframe will be **automatically opted out** of the scheduling process and may only opt into audits once the final audit schedule has been published at the end of Q3.

4.2 Non-Coordinated Audits (Solo Audits)

Lloyd's encourages all managing agents to enter their non-coordinated solo audit assignments into DAM. This allows Lloyd's to further facilitate coordination should an audit move from solo to coordinated at any point in the year. The Lloyd's Audit & Engagement Team provide a copy of the full audit schedule to managing agents quarterly and request managing agents to review this prior to arranging any solo audits.

Please note that it is a mandatory requirement for Managing Agents to record audit information for all Lloyd's Insurance Company (LIC) coverholder and DCA audits, including non-coordinated (solo) audits in DAM.

4.3 Audit Frequency Criteria

Managing agents should ensure that they have a suitable audit framework in place, including defined audit frequency criteria that determine how often coverholders and DCAs are audited. Audit frequency should be based on the managing agent's risk assessment of the coverholder or DCA.

Key risk indicators to consider may include, but are not limited to:

- The length of the relationship with the coverholder or DCA, for example first-year arrangements versus existing renewals. It is recommended that new binders are audited within the first 12 months of inception, however this remains at the managing agent's discretion
- Material issues arising from audits conducted in prior years

- Material changes, such as changes in ownership, operations, key personnel or systems
- Type of delegation
- Changes in the level of delegated authority granted by the managing agent
- The complexity of the class of business
- The domicile of the Coverholder, together with any applicable Lloyd's or local regulatory requirements. Please note that it is a Lloyd's requirement for Lloyd's Insurance Company (LIC) coverholders to be audited at least every two years
- The regions in which business is bound
- Financial crime rating
- Conduct risk rating
- Estimated premium income ("EPI")

4.4 Auditor Selection

Auditor selection is undertaken by managing agents using the audit scheduling workflow within DAM. As such, Lloyd's is unable to assign audit engagements within DAM without the prior approval of the participating managing agents. At the outset of the process, managing agents are required to select the coverholders and DCAs they wish to audit, together with their preferred auditor and audit quarter.

When selecting an auditor for an assignment in DAM, managing agents should take into consideration factors including, but not limited to:

- The domicile of the auditor.
- The auditor's expertise in the relevant class of business.
- Knowledge of local and regulatory requirements.
- Language capabilities.
- The number of years the auditor has been engaged within the audit cycle.

To minimise disruption to coverholders and DCAs, Lloyd's recommends that the same auditor is assigned to an audit for a minimum period of three years. Where audits are larger or more complex, managing agents may, on a case-by-case basis, consider extending the audit cycle for up to five years, subject to agreement with the audit firm regarding auditor rotation.

Prior to the commencement of scheduling, the Lloyd's Audit & Engagement Team will provide managing agents with a list of Large Coordinated Audits ("LCAs") and details of the current year within the audit cycle. This information should be used by managing agents when planning audit schedules for the following year.

Once initial selections have been submitted, DAM will determine the final auditor and audit quarter based on the following criteria:

- **Auditor vote count:** the auditor receiving the highest number of managing agent votes will be selected.

- **Tied auditor votes:** where votes are tied, the system will refer to the EPI associated with the binder, as derived from DCOM. The auditor linked to the highest EPI will be selected.
- **Quarter selection:** the audit quarter receiving the highest number of votes will be selected. Where quarter votes are tied, the system will default to the earliest quarter among the tied options.

Where DAM is unable to allocate an auditor using the above criteria, the Lloyd's Audit & Engagement Team will engage with the relevant managing agents to agree the final auditor appointment.

To facilitate audit coordination Lloyd's request managing agents to align with the auditor panel in DAM. If managing agents are unable to utilise a particular auditor, reasons for this should be notified to the Lloyd's Audit & Engagement Team.

4.5 Auditor Acceptance of Assignments

This is the final stage of the annual scheduling process. When accepting assignments for the year, auditors must ensure that they have sufficient capacity and resources available to undertake the audit. Consideration should be given to both the quarterly distribution and the anticipated size of each audit.

Details regarding the number of participating managing agents are available within DAM. In addition, to support auditors in assessing the potential scale of each assignment, the Lloyd's Audit & Engagement Team will provide BAA or CAA level data captured as at the time of annual scheduling.

4.6 Joining Scheduled Audits in DAM

Once the final audit schedule has been released in Q3, managing agents may opt into any coordinated coverholder or DCA audits in the DAM, subject to having an active binder recorded in DCOM. Managing agents may opt into audits up to the Audit Site Visit (ASV) stage, subject to auditor acceptance.

The Lloyd's Audit & Engagement Team will issue the full audit schedule to managing agents on a quarterly basis. Managing agents should review their audit requirements promptly and allow sufficient time to opt into relevant audits. Further guidance on the opt-in process within DAM is available in the [Audit FAQ guidance](#).

4.7 Amendments to the Audit Schedule

Any changes to the audit schedule including quarter changes and auditor changes must be notified and discussed with the Lloyd's Audit & Engagement Team as early as possible. Any changes must be agreed by all participants and therefore may require discussions with all participating markets to obtain consensus on the change request. Auditors and managing agents should refrain from discussing any such changes with markets without notifying Lloyd's in the first instance.

4.8 Choosing to opt out of an Audit

Where a managing agent no longer requires participation in a coordinated audit, they may opt out of the audit within DAM. Further guidance on the opt-out process is available in the [Audit FAQ guidance](#).

5.0 Audit Scoping

5.1 Quarterly Scoping Tasks in DAM

A scoping task is initiated in DAM at the start of the preceding quarter, for example Q3 scoping tasks will be triggered in the first week of Q2. This enables managing agents to select the specific BAA or CAA's Unique Market Reference ("UMR") they wish to be audited in the following quarter. Managing agents are also required to select the relevant sections of the LMA audit scope and specify the number of files to be reviewed. For full guidance on the LMA audit scope, please refer to the [LMA](#).

Whilst use of the LMA audit scope is not mandatory, to facilitate audit coordination within DAM the general scope sections of the LMA audit scope must be selected. Managing agents may provide additional instructions to auditors, including any specific requirements or exclusions to individual LMA scope questions, by using the commentary section within DAM. Managing agents should also confirm whether the audit is to be conducted onsite, remotely, or on a hybrid basis.

Managing agents have 28 days to complete the audit scoping task in DAM (CAS/TCAS). Where the task is not completed within the applicable SLA, managing agents may be opted out of the audit in order to avoid delays to the overall workflow. Guidance on how to complete the scoping task is available within DAM via the Toonimo guidance tool.

To ensure the required UMRs are available for selection in DAM, managing agents must ensure that the BAAs and/or CAAs are fully registered in Lloyd's registration system. Draft UMRs will not be available for selection in DAM.

5.2 Scoping Considerations

Managing agents should apply a risk-based criteria when deciding which UMRs to include in the scope of the audit. Where possible, an 'include all' approach should be avoided. It is important to distinguish between due diligence activities and audit activity, ensuring that audits remain focused on control effectiveness and testing, avoiding the use of audits as an information gathering exercise.

Risk factors that should be taken into consideration (but not limited to) include:

- Materiality of recommendations from prior year audits
- RAG ratings, for example, financial crime and conduct risk ratings
- Changes to underwriting authority levels
- Changes to key personnel such as underwriters or claims handlers

- Changes to claims handling processes

Managing agents should ensure that relevant internal subject matter experts have been consulted and that any specific areas of focus or concern are clearly highlighted to the auditor. Where a review of prior year recommendations is required, these may also be provided to the auditor within DAM.

The LMA audit scope is intended to be applied in a modular manner over a number of years. Managing agents should therefore consider the frequency with which a full-scope audit is undertaken. For example, depending on the managing agent's RAG assessment of the coverholder or DCA, a full-scope audit may be conducted every three years, with more targeted underwriting or claims file reviews undertaken in years two and three. Managing agents should assess their own risk appetite when determining this approach, taking into account any material changes to the coverholder or DCA.

5.3 Co-Lead BAA/CAA

Managing agents should have appropriate mechanisms in place to identify BAAs/CAAs with multiple sectional leads. Where this information is not readily available, managing agents should contact the Lloyd's Audit & Engagement Team for support.

Participating managing agents may wish to collectively agree the scope of the audit, particularly in relation to the general scope sections. Where requested, the Lloyd's Audit & Engagement Team will be able to facilitate these discussions. In such cases, the overall binder lead may select all general scope sections within DAM, with the remaining sectional leads selecting only their UMR-specific requirements. Where this approach is adopted, the overall contract lead will be responsible for sharing the relevant general sections of the audit report with the sectional leads.

Alternatively, Managing Agents may choose to treat the audit as an independent review, in which case each managing agent should select all required scope sections within DAM.

5.4 Company Market Lead BAAs / CAAs

To ensure that company market lead binders meet Lloyd's regulatory requirements, the Lloyd's lead should instruct an audit in accordance with its own audit framework. It is recommended that a Lloyd's audit is undertaken at least once every three years, and shared with follow markets. Lloyd's managing agents should liaise with the company market lead to establish whether the instructed audit is fit for purpose or alternatively instruct their own Lloyd's audit.

6.0 Audit Quotes

6.1 Providing Quotes in DAM

Once the scoping task has been completed, auditors will provide a quote based on the agreed scoping requirements. The Audit Quote Case (AQC/TAQC) allows auditors 28 days to submit their quote to managing agents in DAM.

Upon receipt of the quote, managing agents will have a further 10 days to review, accept, reject or query the quote through the Audit Quote Review task (AQR/TAQR).

6.2 Accepting or Rejecting Quotes in DAM

DAM enables managing agents to return a quote to the auditor for re-quoting where required. However, it is recommended that managing agents engage directly with the auditor to discuss any queries or concerns in relation to the quote before returning the task in DAM.

7.0 Audit Site Visit

7.1 Audit Date Information

Auditors are required to record anticipated audit dates in DAM, followed by confirmation of the final dates. Once the audit quote has been accepted, DAM will generate the Audit Site Visit (ASV/TASV) task. Auditors must ensure that accurate audit duration dates are entered in DAM. Dates may be amended as the audit progresses, however any significant delays must be notified to the Lloyd's Audit & Engagement Team as soon as possible, particularly where an audit needs to be moved from one quarter to another.

Auditors should confirm with managing agents whether the audit will be conducted onsite, remotely, or on a hybrid basis, taking managing agent preferences into account where possible. Where audits are undertaken remotely, auditors should ensure that clear timeframes for the provision of information are agreed with the coverholder or DCA.

Any delays in arranging or completing the audit must be communicated to both the managing agents and the Lloyd's Audit & Engagement Team.

7.2 Audit Preparation Guidance for Coverholders and DCAs

To help ensure audits are completed with minimal disruption and that audit reports can be delivered within the required service level agreements, coverholders and DCAs should ensure that the following expectations are met:

- Every effort is made to secure audit dates within the allocated audit quarter, with dates confirmed with the auditor as early as possible.
- Any requirement to reschedule or cancel the audit is notified to the Lloyd's broker or managing agent, as well as the auditor, at the earliest opportunity.

- Clear confirmation is provided to the auditor regarding the locations at which onsite audits are to be conducted.
- All pre-audit information requested by the auditor, including questionnaires, bordereaux and policy documentation, is provided promptly.
- Required system access is arranged in advance to ensure there are no access issues at the time of the audit.
- For larger audits spanning multiple branches or divisions, consideration is given to appointing a dedicated point of contact to support the auditor, coordinate information requests and facilitate access to key personnel.
- Queries or requests for information raised by the auditor are prioritised and responded to in a timely manner.
- A collaborative and cooperative approach is adopted throughout the audit, with professional and respectful conduct maintained at all times.

8.0 Audit Remediation

8.1 Entering Findings and Recommendations in DAM

Following completion of the audit, a Findings Request (AFR/TAFR) task will be generated in DAM and auditors are required to complete this task within 28 days of the audit completion date. Auditors must also provide a copy of the audit report and any supporting exhibits directly to the managing agent at the same time as uploading the findings and recommendations into DAM.

Managing agents are responsible for reviewing the auditor's findings and confirming which recommendations they wish to take forward. This includes specifying the required action to be undertaken by the coverholder or DCA, confirming the severity of each finding (immediate, high, medium or low), and setting an appropriate completion deadline (7, 30, 60 or 90 days). This is completed through the Carrier Action Request (CAR/TCAR) task in DAM.

Managing agents must complete the CAR/TCAR task within 28 days of the recommendations being made available in DAM. During this period, managing agents should ensure that findings have been discussed with the relevant internal subject matter experts prior to confirming the actions to be taken.

8.2 General Recommendations

Where more than one managing agent raises the same general recommendation, the individual managing agent comments will be amalgamated into a single recommendation within DAM. Lloyd's will apply the highest severity rating and the shortest completion deadline as the leading requirement.

The recipient of general recommendations will depend on the number of brokers involved and the broker contract manager recorded against the BAA or CAA in the Lloyd's registration system.

8.3 UMR Specific Recommendations

UMR specific recommendations are not amalgamated and will remain as recorded by the managing agent. All UMR specific recommendations will be issued to the recipient selected by the managing agent during completion of the CAR/TCAR task, either the broker or the coverholder or DCA. Managing agents must ensure that the correct recipient option is selected and should only select 'carrier' where the action is being assigned to themselves.

Once this process has been completed, recommendations will be issued through DAM to the relevant coverholder or DCA, and/or the broker, as applicable.

To ensure a coordinated and consistent approach to audit remediation, managing agents should refrain from managing recommendations outside of DAM. Any decision not to progress a recommendation must be clearly documented within DAM, together with a brief rationale for not taking the action forward, or for managing it outside of the system.

Managing agents remain responsible for ensuring that all audit recommendations are appropriately actioned and closed within DAM. Managing agents should also maintain suitable internal processes to monitor the timely closure of recommendations, with appropriate escalation procedures in place to report overdue material recommendations to the relevant internal governance committees.

8.4 Reporting Third Party Material Issues (TPMI)

Managing agents are required to notify Lloyd's of material issues identified as part of the audit. Full details regarding what constitutes a reportable material issue, and details of the process for notifying Lloyd's are located on the [Third Party Material Issues](#) webpage.

8.5 Follow Market Expectations

Upon request, a copy of the full audit report and associated findings should be made available to all follow markets. Follow markets may request the report via the broker.

Follow markets may also request updates on the progress of audit actions in order to support their ongoing oversight.

9.0 Lloyd's Oversight & Governance

9.1 SLAs & Escalations

To ensure there are no delays to the audit cycle, the Lloyd's Audit & Engagement Team monitors the following SLAs:

Managing Agent Task:

Task	SLA
Audit Scoping (CAS/TCAS)	28 Days
Audit Quote Review (AQR/TAQR)	10 Days
Carrier Action Rationalisation (CAR/TCAR)	28 Days

Auditor Tasks:

Task	SLA
Auditor Quoting Case (AQC/TAQC)	28 Days
Audit Site Visit (ASV/TASV)	Dates entered as planned until completed. Missing dates will be reported.
Findings Request (AFR/TAFR)	28 Days

Reports identifying overdue tasks are produced monthly by the Lloyd's Audit & Engagement Team. Managing Agent chaser data, relating to CAR/TCAR tasks, is run on the first Monday of each month. Escalation reporting for both managing agents and auditors is run on the last Thursday of each month.

Users are also able to extract reports directly from DAM to support their own monitoring and oversight. Details of the available reports are set out in the [Audit FAQ](#) User Support and Information guidance.

Where managing agent tasks remain outstanding for more than 30 days, an additional five-day grace period is applied. If the task remains incomplete after this period, the managing agent may be opted out of the audit process within DAM.

For auditor overdue items, Lloyd's will engage directly with the auditor. Where systemic issues are identified, such as repeated late reports or missing audit dates, Lloyd's will agree remediation actions with the auditor and continue to monitor performance. Performance data may be shared with managing agents.

9.2 Auditor Performance Feedback to Lloyd's

Where systemic or material issues relating to auditor performance are identified, these should be discussed with the Lloyd's Audit & Engagement Team. For example, where a managing agent removes an auditor from its panel, the reasons for this decision should be communicated to Lloyd's to support ongoing auditor oversight.