

Chapter 2 Requirements made under the Intermediaries Byelaw

Section 1 Delegated Authority

Delegation of authority – Part A of the Intermediaries Byelaw

Sub-delegation of authority – paragraphs 2, 4 and 4B of the Intermediaries Byelaw

- A1 Except where permitted in the ‘Code of Practice – Delegated Authority’, as amended from time to time and in accordance with any conditions and requirements set out there, or where otherwise permitted by the *Council* –
- (a) no *person* to whom authority has been delegated to enter into contracts of insurance to be underwritten by the *members* of a *syndicate* in accordance with paragraph 1 (d) or (e) of the Intermediaries Byelaw, other than a *service company coverholder*, shall sub-delegate that authority pursuant to paragraph 2 (b) of the Intermediaries Byelaw.
 - (b) no *person* to whom authority has been delegated to issue documents evidencing contracts of insurance underwritten by the *members* of a *syndicate* in accordance with paragraph 3 (e) or (f) of the Intermediaries Byelaw, other than a *service company coverholder*, shall sub-delegate that authority pursuant to paragraph 4 (b) of the Intermediaries Byelaw.
 - (c) no *person* to whom authority has been delegated to *determine* claims on contracts of insurance underwritten by the *members* of a *syndicate* in accordance with paragraph 4A (e) to (j) of the Intermediaries Byelaw, other than a *service company coverholder*, shall sub-delegate that authority pursuant to paragraph 4B (b) of the Intermediaries Byelaw.

and references in these Requirements to sub-delegation shall, except where the context requires otherwise, apply only to the extent that sub-delegation is not prohibited by this paragraph.

**Registers of coverholders and registered binding authorities – Part B
of the Intermediaries Byelaw**

Format and content of the registers - paragraph 6 of the Intermediaries Byelaw

1. The registers to be established and maintained pursuant to paragraph 5 of the Intermediaries Byelaw shall be held electronically on the system the *Council* operates for that purpose.

Inspection of the registers - paragraph 7 of the Intermediaries Byelaw

2. Any person may inspect the register of –
 - (a) *approved coverholders*;
 - (b) *approved delegated claims administrators*; and
 - (c) those prescribed classes or categories of *persons* to whom the *Council* has permitted authority to be delegated or sub-delegated in accordance with paragraphs 1 to 4B.

3. The following persons may inspect the part of the register of prescribed classes or categories of *contracts of delegated authority* which relates to that *contract of delegated authority* –
 - (a) the *managing agent* of the *syndicate* that underwrites or is to underwrite the contracts of insurance in respect of which authority has been delegated or sub-delegated in accordance with that *contract of delegated authority*;
 - (b) a *person* which is a party to that *contract of delegated authority*; and
 - (c) a *Lloyd's broker* which arranged or broked that *contract of delegated authority*.

Registration of persons required to be registered in accordance with paragraph 5 (c) - paragraph 7B of the of the Intermediaries Byelaw

- 3A. A *person* required to be registered in accordance with paragraph 5 (c) of the Intermediaries Byelaw may only be registered by –
 - (a) the *managing agent* of the *syndicate* that underwrites or is to underwrite the contracts of insurance in respect of which authority has been delegated or sub-delegated in accordance with that *contract of delegated authority*;

(b) such other classes or category of *persons* as the *Council* may notify from to time.

3B. Registration of a *person* required to be registered in accordance with paragraph 5 (c) shall be by means of the electronic system the *Council* operates for that purpose.

Registration of contracts of delegated authority - paragraph 7F of the of the Intermediaries Byelaw

3C. A *contract of delegated authority* may only be registered by –

(a) the *managing agent* of the *syndicate* that underwrites or is to underwrite the contracts of insurance in respect of which authority has been delegated or sub-delegated in accordance with that *contract of delegated authority*;

(b) such other classes or category of *persons* as the *Council* may notify from to time.

3D. Registration of a *contract of delegated authority* shall be by means of the electronic system the *Council* operates for that purpose.

**Approved coverholders and approved delegated claims administrators - Part C
of the Intermediaries Byelaw**

Applications for approval - paragraphs 8 and 9 of the of the Intermediaries Byelaw

4. An *applicant* shall apply to the *Council* for approval as an *approved coverholder* or *approved delegated claims administrator* by completing the relevant parts of the appropriate form of application which shall be completed and submitted by means of the electronic system the *Council* operates for that purpose or by such other means as the *Council* may permit.
5. Any *applicant*, which is not a *Lloyd's broker*, must be sponsored by a *Lloyd's broker* or a *managing agent* (the "*sponsor*"). The *sponsor* shall complete the relevant part of the appropriate form of application.

Approval – paragraph 13 of the of the Intermediaries Byelaw

6. In deciding whether an *applicant* is suitable to be an *approved coverholder* or *approved delegated claims administrator* the *Council* shall, taking into account the particular characteristics of the *applicant's* business, have regard to the following criteria and all other relevant matters –
 - (a) whether the *applicant* is a competent, proficient and capable organisation and in considering that the *Council* may have regard to the following matters –
 - (i) the *applicant's* compliance with appropriate principles of good corporate governance;
 - (ii) the *applicant's* membership of any body or organisation that the *Council* considers to be necessary or desirable;
 - (iii) the quality and adequacy of the *applicant's* human resources including –
 - (i) the competence, reputation, character and suitability of the *applicant's* directors, officers and staff; and
 - (ii) the knowledge and experience of the *applicant's* directors, officers and staff of the conduct and regulation of insurance

business in the Lloyd's insurance market and in any other relevant jurisdiction;

- (iv) the quality and adequacy of the *applicant's* other resources including the quality and adequacy of the applicant's –
 - (i) systems, procedures, protocols and arrangements for the conduct of its business;
 - (ii) resources to comply with appropriate service standards for its customers;
 - (iii) resources to comply with such principles and standards for the conduct or administration of insurance business in the Lloyd's insurance market as the *Council* may from time to time prescribe, recognise or endorse; and
 - (vi) resources and systems for *underwriting* administration or, as applicable, for the *determination* of claims;
 - (v) the quality and adequacy of the *applicant's* controls and procedures to manage its business including –
 - (i) the *applicant's* arrangements for identifying, resolving or managing conflicts of interest;
 - (ii) the *applicant's* procedures for its conduct with customers (including procedures to ensure a fair outcome for consumers); and
 - (iii) the quality and adequacy of the *applicant's* controls and procedures for the management of *underwriting* risk, for the management of the *determination* of claims and for the handling and recording of complaints;
 - (vi) the nature of the *applicant's* business including, in the case of an *applicant* to be an *approved coverholder*, its past, present and forecast *underwriting* performance;
- (b) whether the *applicant* is of appropriate reputation and standing;
 - (c) whether any person who *controls* the *applicant* or who is connected or associated with the *applicant* is of appropriate reputation and standing;
 - (d) whether the *applicant* has adequate capital and financial resources;
 - (e) whether the *applicant* has adequate professional indemnity insurance;
 - (f) whether the *applicant* is capable and willing to comply with the terms of any undertaking given by it to the *Council*; and

(g) whether the *applicant* possesses all the licences, approvals or authorisations in order to act as an *approved coverholder* or *approved delegated claims administrator* wherever it will conduct insurance business in that capacity.

7. A *managing agent* that intends to enter into a *binding authority* or *delegated claims administration agreement* with the *applicant* must, in accordance with paragraph 15 (b) of the Intermediaries Byelaw, complete the declaration or provide such other confirmation as the *Council* may require.

[8, 9. Deleted by the Intermediaries (Restricted Coverholder Revocation) Amendment Byelaw (No.1 of 2014).]

Contracts of delegated authority - Part E of the Intermediaries Byelaw

Requirements relating to binding authorities - paragraph 30 of the Intermediaries Byelaw

10. Every *binding authority* (other than a *registered binding authority* that authorises a *coverholder* to enter into a contract of insurance where the contract is in respect of *motor business*) shall contain the following information, provisions and terms and comply with the following conditions and requirements –
- (a) an agreement number by which the *binding authority* can be identified;
 - (b) the name and address of each *approved coverholder* which is a party to the *binding authority*;
 - (c) the name and address of each *Lloyd's broker* which is a party to the *binding authority* or which arranged or broked the *binding authority*;
 - (d) the syndicate or syndicates on whose behalf each *managing agent* is delegating authority to enter into contracts of insurance (the “*syndicates*”);
 - (e) the period of the *binding authority*, subject to *binding authorities* which have periods greater than 18 months must comply with such requirements as may be prescribed for the writing of continuous *binding authorities*;
 - (f) the name of the *approved coverholder's* director or partner who is directly responsible, on behalf of the *approved coverholder*, for the overall operation and control of the *binding authority*;
 - (g) the name of the *approved coverholder's* director, partner or employee who will have principal authority to enter into contracts of insurance under the *binding authority*;
 - (h) the name of the *approved coverholder's* director, partner or employee (if any) who will have principal authority to issue documents evidencing contracts of insurance under the *binding authority*;
 - (i) the name of any *person* who will have principal authority to *determine* claims made on contracts of insurance entered into or to be administered by the *approved coverholder* under the *binding authority*;
 - (j) a precise description of the nature or classification of the contracts of insurance that the *approved coverholder* will be authorised to enter into under the *binding authority* and any relevant exclusions and limitations;
 - (k) a list of the terms and conditions which must be incorporated in contracts of insurance entered into under the *binding authority* including -
 - (i) relevant wordings, exclusions and limitations;
 - (ii) the maximum period of cover;
 - (iii) the limits of liability (other than where inclusion of such a limit would be contrary to any applicable law); and

- (iv) any applicable territorial wordings or general cover conditions as prescribed or endorsed by the *Council*;
- (l) the maximum aggregate premium income limit in respect of all contracts of insurance that the *approved coverholder* may enter into under the *binding authority*;
- (m) the maximum limits of liability in respect of contracts of insurance that the *approved coverholder* may enter into under the *binding authority*;
- (n) the territorial limitations on the *approved coverholder's* authority under the *binding authority*;
- (o) provisions requiring the *approved coverholder* to report in respect of all premiums, paid claims, outstanding claims and expenses in respect of contracts of insurance entered into by class or category by the *approved coverholder* under the *binding authority*;
- (p) provisions setting out how and when the payment and settlement of monies due from each of the parties to the *binding authority* should be made;
- (q) provisions for the cancellation and termination of the *binding authority* including provisions that enable the *binding authority* to be terminated upon the *Council* giving such direction or order to the *managing agent* or *approved coverholder*;
- (r) provisions relating to the ongoing obligations of the *approved coverholder* in the event that the *binding authority* expires or is terminated or cancelled for any reason;
- (s) provisions setting out the jurisdiction and governing law for the settlement of disputes arising from the *binding authority*;
- (t) provisions setting out any business continuity or disaster recovery arrangements of the *approved coverholder*;
- (u) provisions to require the *approved coverholder* to produce to the *Council* or to any relevant regulatory body any information, documents, books, records and other materials which, in the opinion of the *Council* or the relevant regulatory body relate or purport to relate to the operation of the *binding authority* and to give to the *Council* or to any relevant regulatory body all reasonable facilities in its premises for the purpose of examining such materials;
- (v) the manner or basis for the calculation of premiums, discounts, commissions, brokerages, fees, charges and expenses; and
- (w) provisions setting out if the *approved coverholder* has authority and, if so, the scope of any such authority to sub-delegate in accordance with a *contract of delegated authority*.

[10A, 11, 12. Deleted by the *Intermediaries (Restricted Coverholder Revocation) Amendment Byelaw (No.1 of 2014)*.]

Requirements relating to line slips and consortium agreements - paragraph 30 of the Intermediaries Byelaw

- 12A. Every *line slip* and *consortium agreement* shall contain the following information, provisions and terms and comply with the following conditions and requirements –
- (a) a reference number or other method of identification by which the *line slip* or *consortium agreement* can be identified;
 - (b) in the case of *line slips*, the name and address of the *Lloyd's broker* responsible for placing or administering the *line slip*;
 - (c) the *syndicate* or *syndicates* on whose behalf each *managing agent* is delegating authority to enter into contracts of insurance (the “*syndicates*”) and (if any) the authorised insurance companies that are delegating authority to enter into contracts of insurance;
 - (d) the *managing agent* or (if a *line slip*) authorised insurance company that is authorised to enter into contracts of insurance under the *line slip* or *consortium agreement* (the “*slip leader*”);
 - (e) the period of the *line slip* or *consortium agreement* which shall be no greater than 18 months from the date of inception;
 - (f) the maximum aggregate premium income limit in respect of all contracts of insurance that the *slip leader* may enter into;
 - (g) the maximum limits of liability in respect of contracts of insurance that the *slip leader* may enter into;
 - (h) the territorial limitations on the *slip leader's* authority;
 - (i) provisions to ensure that each of the parties to the *line slip* or *consortium agreement* receive an appropriate level of information relating to the operation of the *line slip* or *consortium agreement* and of each contract of insurance entered into, including any amendments to thereto;
 - (ia) provisions setting out the authorities given under the *line slip* or *consortium agreement* to agree amendments to any contracts of insurance that may be entered into;
 - (j) provisions setting out how and when the payment and settlement of monies due from each of the parties to the *line slip* or *consortium agreement* should be made;
 - (k) provisions for the amendment, cancellation and termination of the *line slip* or *consortium agreement* by the parties;
 - (l) provisions setting out the jurisdiction and governing law for the settlement of disputes arising from the *line slip* or *consortium agreement*;
 - (m) a precise description of the nature or classification of the contracts of insurance that the *slip leader* will be authorised to enter into and any relevant exclusions and limitations; and

- (n) the manner or basis for the calculation of premiums, discounts, commissions, brokerages, fees, charges and expenses.

Requirements relating to delegated claims administration agreements - paragraph 30 of the Intermediaries Byelaw

13. Every *delegated claims administration agreement* and every *contract of delegated authority* delegating a *managing agent's* authority to an *approved coverholder* to *determine* claims arising under contracts of insurance entered into or being administered by that *approved coverholder* in accordance with the terms of a *binding authority* shall contain the following information, provisions and terms and comply with the following conditions and requirements –
- (a) an agreement number by which the agreement can be identified;
 - (b) the name and address of each party to the agreement including the *syndicate* or *syndicates* on whose behalf each *managing agent* is delegating authority to *determine* claims arising under contracts of insurance;
 - (c) the functions, duties and responsibilities of the *approved coverholder* or the *approved delegated claims administrator* that are relevant to its authority to *determine* claims. This shall include –
 - i. the level of the *approved coverholder's* or the *approved delegated claims administrator's* authority to *determine* claims (including the circumstances in which a claim shall be referred to the *managing agent*);
 - ii. details of the *approved coverholder's* or the *approved delegated claims administrator's* responsibility to investigate claims and where appropriate appoint external experts (including the circumstances in which the decision to appoint an external expert shall be referred to the *managing agent*) and take steps to ensure claims are defended as appropriate and to seek to make any recoveries;
 - iii. details of the *approved coverholder's* or the *approved delegated claims administrator's* responsibility to assess and review claim estimates;
 - iv. details of any applicable service levels or standards (including service standards for dealing with complaints and enquiries) where those service levels or standards shall be consistent with any applicable minimum standards prescribed by the *Council* from time to time;
 - (d) details of the manner by which any insurance monies are to be held, maintained and properly safeguarded;

- (e) provisions requiring the *approved coverholder* or the *approved delegated claims administrator* or any of its directors or staff to meet any relevant professional competence standards;
- (f) provisions requiring the *approved coverholder* or the *approved delegated claims administrator* to maintain records and documents in such manner and for such period as the *managing agent* may require or as may be required by any applicable legal or regulatory provision;
- (g) provisions regarding the maintenance and security of confidential information;
- (h) provisions requiring the *approved coverholder* or the *approved delegated claims administrator* to report to the *managing agent* in respect of paid claims, outstanding claims and expenses in such form and at such intervals as the *managing agent* may determine (taking into account any minimum standards the *Council* may from time to time make);
- (i) provisions requiring the *approved coverholder* or the *approved delegated claims administrator* to produce to the *managing agent* or to any auditor or agent appointed by the *managing agent* any information, documents, books, records and other materials which, in the opinion of the *managing agent* relate or purport to relate to the operation of the agreement and to co-operate with the *managing agent*, auditor or agent;
- (j) provisions requiring the *approved coverholder* or the *approved delegated claims administrator* to produce to any relevant regulatory body any information, documents, books, records and other materials which in the opinion of the relevant regulatory body relate or purport to relate to the operation of the agreement;
- (k) provisions requiring the *approved coverholder* or the *approved delegated claims administrator* to notify the *managing agent* of any –
 - i. complaint or actual, pending or potential litigation;
 - ii. circumstance or development that may materially impact upon its ability to perform its functions under the claims agreement effectively and in compliance with applicable laws and regulations;
- (l) provisions for the cancellation and termination of the agreement;
- (m) provisions relating to the ongoing obligations of the *approved coverholder* or the *approved delegated claims administrator* in the event that the agreement expires or is terminated or cancelled for any reason;
- (n) provisions setting out if the *approved coverholder* or *approved delegated claims administrator* has authority and, if so, the scope of any such authority to sub-delegate in accordance with a *contract of delegated authority*;
- (o) provisions prohibiting the *approved coverholder* or the *approved delegated claims administrator* from subcontracting or assigning any of its rights,

powers, functions or obligations under the agreement without the prior consent of the *managing agent*; and

- (p) the jurisdiction and governing law that relates to the operation of the agreement.

14. The terms of the agreement referred to in paragraph 13 may be set out in one or more contractual documents.

**Requirements for insurance documentation – Part F
of the Intermediaries Byelaw**

Requirements relating to insurance documentation issued under a binding authority -
paragraph 35 of the Intermediaries Byelaw

15. Insurance documentation evidencing contracts of insurance issued by an *approved coverholder* under a *binding authority* shall include the following information, provisions and terms -
- (a) the name and address of the *approved coverholder*;
 - (b) all relevant terms and conditions that relate to the contract of insurance entered into by the *approved coverholder* including:
 - (i) relevant wordings, exclusions and limitations;
 - (ii) the maximum period of cover;
 - (iii) the limits of liability (other than where inclusion of such a limit would be contrary to any applicable law); and
 - (iv) any applicable excess or deductible,
 - (c) the amount of the premium and any other information relating to the cost of the contract of insurance that is required by applicable laws or requirements to be disclosed;
 - (d) information about the procedures for handling claims arising under the contract of insurance and for the resolution of complaints;
 - (e) a unique contract number;
 - (f) provisions that explain the several liability of the *members* of the *syndicate* underwriting the contract of insurance;
 - (g) other information as the policyholder may properly require;
 - (h) the law and jurisdiction applicable to the contract of insurance; and
 - (i) any other provisions required under the laws or requirements of the jurisdiction in which the contract was concluded, where the insured is domiciled or of any other relevant jurisdiction and any other provisions as required by the relevant representative or agent of the *Society*.
16. An *approved coverholder* under a *binding authority* may only issue insurance documentation evidencing contracts of insurance in which a proportion of the risk is to be accepted by insurers other than *members* (a “*combined certificate*”) provided that:

- (a) each *managing agent* that is a party to the *binding authority* has agreed to the issue of *combined certificates*;
- (b) the *combined certificate* includes all the details that are required to be included in insurance documentation evidencing contracts of insurance that are issued by an *approved coverholder* under a *binding authority*;
- (c) the proportion or amount of risk accepted by Lloyd's *syndicates* is expressly stated on the *combined certificate* and is specified separately from the proportion or amount of risk accepted by other insurers;
- (d) the *combined certificate* contains the following appropriate several liability statement in accordance with [Market Bulletin Y4133](#); and
- (e) the issuance of *combined certificates* has been confirmed as an acceptable practice by the general representative in the country in which their issuance is required or, in the absence of such a general representative, by the *Council*,

save that nothing in this paragraph shall permit a *combined certificate* to be issued in circumstances where that would contravene any relevant territorial general cover condition or would contravene any requirements of the jurisdiction in which the *approved coverholder* is domiciled, or any other jurisdiction in which the *approved coverholder* trades, provides services or does business.

**[Third party administrators – Part G of the
Intermediaries Byelaw**

Deleted by the Intermediaries (Delegated Authority) Amendment Byelaw (No. 1 of 2019).]

Section 2 Brokers

Registration – Part I of the Intermediaries Byelaw (and paragraph 27 of the Underwriting Byelaw)

Paragraph 46 of the Intermediaries Byelaw and Paragraph 27 (i) (i) of the Underwriting Byelaw.

18. The criteria to be applied in respect of a *person* established in the United Kingdom are that it –
- (a) is authorised by the *Financial Conduct Authority* with the permissions required to undertake the activities of an insurance intermediary;
 - (b) is able and willing to enter into an agreement with each *managing agent* with whom it intends to place business recording the general terms and conditions on which business will be conducted between them;
 - (c) has adequate, suitable and compatible systems, protocols and arrangements for the conduct of business in the London insurance market which must, from 1 June 2019, include connection to a Recognised Electronic System (as defined in Lloyd’s [Market Bulletin Y5170](#));
 - (d) has suitable procedures in place to ensure that insurance monies (money relating to premiums, return premiums and claims) are properly safeguarded;
 - (e) has adequate professional indemnity insurance; and
 - (f) can demonstrate its ability to comply with any other criteria that the *Council* may from time to time prescribe,

and regard shall be had to any guidance the *Council* may issue from time to time in respect of the application of the above criteria as published in ‘Becoming a registered Lloyd’s Broker – A Guide for Applicants’.

19. The criteria to be applied in respect of a *person* not established in the United Kingdom are that it –
- (a) either –
 - (i) is registered or approved by a regulator or other statutory body that requires the intermediary or broker to meet professional requirements in relation to its competence, good repute and financial capacity equivalent to those required by the *Financial Conduct Authority* for *persons* authorised as insurance intermediaries in the United Kingdom;
 - or

- (ii) can demonstrate that it meets professional requirements in relation to its competence, good repute and financial capacity equivalent to those required by the *Financial Conduct Authority* for *persons* authorised as insurance intermediaries in the United Kingdom;
- (b) satisfies the criteria at paragraph 18(b) to (f) above; and
- (c) can demonstrate that it is capable and suitable to transact business having regard to such following criteria and any other relevant matter –
 - (i) whether the *person* possesses appropriate knowledge and ability to conduct *insurance business* in the London insurance market;
 - (ii) whether the *person* and its directors, employees and controllers or partners in it are of good repute;
 - (iii) the adequacy of the capital and financial resources of the *person*;
 - (iv) whether the *person* complies with all laws, rules and fiscal requirements applicable to it as an insurance intermediary wherever it is established and wherever it conducts or will conduct business.

and regard shall be had to any guidance the *Council* may issue from time to time in respect of the application of the above criteria as published in ‘Becoming a registered Lloyd’s Broker – A Guide for Applicants’.

Requirements made under paragraph 46 of the Intermediaries Byelaw (registration of Lloyd’s brokers)

20. In determining whether an applicant should be registered as a *Lloyd’s broker* the *Council* shall have regard to the criteria at paragraphs 18 to 19 above of these requirements save that the *Council* may, where it considers it appropriate, disapply, amend or add to these criteria as it considers appropriate.