

## Singapore Service Company Consortium Agreement (LMA3174) FAQ Document

### Consortia – What and Why?

Consortia by Lloyd's definition refers to capacity pooling arrangements between managing agents where underwriting authority is delegated by following managing agents to the leader under the terms of a binding authority agreement to enter into contracts of insurance on their behalf.

Some of the benefits of Consortia include:

#### Efficiency

Having a single point of contact for brokers and other stakeholders that brings about transactional efficiency and ease.

#### Capacity

Larger capacity presented to the market and brokers that makes doing business with Lloyd's more attractive.

#### Collaboration

Increased collaboration between syndicates across the market, allowing resources and technical expertise to be shared, ultimately benefiting clients and brokers.

### What is this Agreement?

Following feedback from Service Companies and Brokers that they would like to be able to participate in capacity pooling or consortia-like arrangements in Singapore, Lloyd's Asia has developed a model wording for adoption by the market. The wording has now been published by the LMA as LMA3174 (Singapore Service Company Consortium Agreement) and is available for immediate use. The model wording is based closely on the existing LMA3145A (Consortium Agreement) for managing agents which has been adapted to be suitable for use on the Lloyd's Asia platform. It has been developed with the assistance of external legal counsel. The model wording now gives service companies a template to establish consortium like arrangements or capacity pooling arrangements in Singapore.

It is important to note that, while the model wording is being described as a consortium agreement, under Lloyd's requirements it constitutes a binding authority between the lead service company and the following service companies.

### **How do I use this Agreement? Is the Agreement 'plug and play'?**

The model wording seeks to provide a robust starting point for any consortium/capacity pooling arrangement between Lloyd's Asia service companies. Each arrangement will, however, be different and therefore it is expected that in most cases the parties will want to make adjustments to the model wording. It is therefore important that the parties consider the suitability of the provisions for their arrangement. Where changes are needed, they should consider obtaining appropriate legal advice.

Service Companies must also note that LMA3174 is a model wording only and its use is not mandated. Service Companies are free to make amendments or to adopt their own wordings if they prefer. However, if they do, service companies must ensure that any wording is legally compliant and robustly drafted. Refer to the Lloyd's Asia Consortium Setup Process below.

### **Why is this only for Singapore Service Companies? I am a Service Company outside Singapore, can I still use the Agreement?**

LMA3174 has been drafted to be compliant with Singapore law and is for adoption by Lloyd's Asia service companies. LMA3174 may therefore not be suitable for other arrangements, where other legal and regulatory considerations may apply. Service companies in other territories wishing to use LMA3174 must obtain appropriate local legal advice on any changes that are required to ensure legal and regulatory compliance.

### **Can the Agreement be used between a service company in Australia and Singapore?**

Service companies that use the Agreement must ensure that the Agreement is legally and regulatory compliant in *all* territories where participating service companies are operating. Where appropriate, Service Companies must obtain appropriate legal advice.

### **Can non-Lloyd's Asia capacity follow a Lloyd's Asia Service Company Consortium Manager?**

Approval will need to be sought from MAS.

### **How do I use this Agreement? Do I need approval from Lloyd's or the Regulator?**

Unlike the process in London, any facilities that involve the delegation of underwriting authority (e.g. lineslip / consortium) will require Lloyd's Asia approval and notification to the Monetary Authority of Singapore (MAS).

As of April 2015, the MAS has permitted Lloyd's Asia to oversee and approve line slips / consortia involving Lloyd's Asia capacity only.

### **How is this different to Consortia in London?**

Unlike the process in London, registration of a consortium is handled by Lloyd's Asia, which maintains a log of all facilities involving delegation of underwriting authority and submits this to the MAS on an annual basis.

As the business written in Singapore is not processed via DXC/The Bureau, 9000 processing numbers cannot be used for Lloyd's Asia consortia.

The consortium stamp requirements are similar to London in terms of format. However, the stamp should not bear the anchor sign as this represents business to be processed via DXC.

The stamp should have the following details:

"Underwritten by [Service Company and XX%] on behalf of Syndicate [xxxx] under binding authority UMR BXXXX and XX% on behalf of [Service Company] which in term is on behalf of Syndicate [xxxx] under binding authority UMR BXXXX. Premiums and claims to be settled direct with XX% [Service Company] and XX% [Service Company]"

Please refer to the '[Performance Management – Supplemental Requirements & Guidance](#)' (see pages 34-36) for the stamp requirements.

[www.loyds.com/supplementalrequirements](http://www.loyds.com/supplementalrequirements)

Note that, because the LMA3174 is a delegation of authority between service companies, it constitutes a binding authority under Lloyd's requirements.

### **How will premiums be handled?**

1) If the Consortium Manager is on Lloyd's International Shared Services (LISS)

The broker will pay the premium to the Central Insurance Services Asia (CISA) bank account set up for LISS by Lloyd's. LISS will match the cash and create USMs for each consortium participant. Those on LISS are sent USM (Underwriter Signing Messages) via XDH whereas non LISS participants receive it via email. The USMs have the "Actual Payment Date" when the Cash will be processed to the participant's bank account, and it allows the participants to reconcile the cash received with their own policy record.

Once the cash is matched, the Lloyd's Settlement & Trust Fund Operations (STFO) team will release the payment to the respective bank account of the participant. If a participant is not on LISS, they will need to give authorisation to Lloyd's STFO to credit the premium to their respective Premium Trust

Funds (PTFs). Otherwise, the premium will be allocated to the leader and it is the leader's responsibility to allocate the remaining premium to the non-LISS participant.

## 2) If the Consortium Manager is not on LISS

In this case, the Consortium Manager must decide the mechanism for premium handling. It is the responsibility of the Consortium Manager to ensure that the premium is apportioned and disseminated to the participants promptly as per the Consortium Agreement. Currently there are two ways for brokers to pay premium to a consortium:

1. Broker transfers premium amount specific to each service company's share directly.
2. Set up of a separate bank account (need to set it up as a PTF with the account name as "Consortium Name Singapore/Offshore Policies Trust Fund account"); or
3. Utilise the leader's current PTF.

Please note that the above options are not mandatory for the Service Companies to adopt. Brokers are still able to process and pay the premium to the participants individually if they wish to do so.

### **Are there any legal considerations to take note of in Singapore when using the Agreement?**

To avoid breaching *Insurance Act* s6 "no person shall solicit any insurance business for any insurer other than a licensed insurer; an authorised reinsurer; a foreign insurer carrying on insurance business in Singapore under a foreign insurer scheme; or any other insurer entitled to carry on insurance business in Singapore", all the participants of a Lloyd's Asia consortium arrangement must be a Service Company registered with Lloyd's Asia.

Service Companies participating on a Lloyd's Asia consortium must also ensure they continue to have regard to the application of competition law. Lloyd's is satisfied, having obtained external legal advice, that consortium type arrangements are permissible in Singapore under competition law. However, managing agents will need arrangements in place to carefully control the way in which information is shared between the parties. Where managing agent believe that competition law may be engaged it is important that they obtain appropriate legal advice. Lloyd's Asia has provided separate training and information for Service Companies on competition law considerations.

### **Contact**

The key contact people are:

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## Lloyd's Asia Consortium Setup Process

### Drafting the Agreement

The Consortium Manager must have a CA, which includes the scope, delegation, classes of business, premium & claims handling as well as business processing & reporting.

The LMA has published the Agreement (LMA3174), which can be assessed [here](#).

### Confirmation of Participants

The Consortium Manager must ensure that all the participating parties are authorised to write the agreed classes with line sizes permitted in their current business plans pre-agreed by Lloyd's.

### Setting up of Stamp

The Consortium Manager must determine the premium collection mechanism and inform the participants.

A consortium stamp has to be made according to Lloyd's guidelines on underwriting stamps.

### Seeking Approval from Lloyd's Asia (LA)

The Consortium Manager must seek approval from LA with a signed copy of the finalised Agreement.

Additional approval from the MAS will be required if it involves non-LA capacity.

LA manages a register of all the current consortia written by the platform.

### Regulatory Reporting

The Consortium Manager must inform LA on any significant changes to the Agreement or participants.

In addition, the leader is required to provide LA information on premiums and claims relating to the consortium.

Participants will also need to report on their own portion of the business written via the consortium in their MAS returns.

### Renewal / Termination

The Consortium Agreement must inform LA of any decisions to renew or terminate the CA beforehand.

Please refer below for invoicing requirements. For further information please contact a member of Lloyd's Asia Finance.

## Concessions / clarifications

## Request to IRAS

### *Update: IRAS' response*

4. For issue of consolidate invoice for recharge of brokerage incurred by consortium

#### Normal rule

Each consortium member should be issued a separate invoice.

#### Request

For lead insurers to issue consolidated invoices covering the recharge to all remaining consortium members using the below format.

TAX INVOICE			
<Lead insurer name>			
<Address>			
<GST registration number>			
Issue to: <Member 1>		Date <>	
<Member 2>		Number <>	
<Member 3>			
<Address>			
Being recharge of brokerage commission [include broker invoice number]			
	Share	Amount before GST (\$\$)	GST (\$\$)
Member name 1	25%	200	14.00
Member name 2	25%	200	14.00
Member name 3	25%	200	14.00
		<u>600</u>	<u>42.00</u>
		Total (\$\$)	642
This is a consolidated tax invoice. Each consortium member is to pay its respective share to the lead insurer.			

⇒ IRAS has agreed. Each member must only claim its portion.