

Market Bulletin

Ref: Y5364

Title	Lloyd's Europe – Operational Guidance for UMRs and Broker Codes on MRCs as a result of EIOPA's Recommendation 9
Purpose	To provide guidance on how Market Reform Contracts (MRCs) should be populated and how Unique Market References (UMRs) should be defined following the adoption of European Insurance and Occupational Pensions Authority (EIOPA) Recommendation 9 since 1 st of January 2021.
From	Jakob Thyme
Date	22 December 2021
Deadline	Not applicable – immediate effect
Related links	See below

Summary and solution to MRCs with both impacted and non-impacted business

As a result of EIOPA's Recommendation 9 requirements, there are specific Lloyd's Broker codes which need to be used when placing Lloyd's Insurance Company S.A. (Lloyd's Europe) [Impacted Business](#) effective from 1st of January 2021. As the Lloyd's Broker code is a component of the UMR, operational challenges could arise with regards to the generation of UMRs and the downstream processing.

The key challenge is how UMRs should be generated on a **single MRC** that contains **both** impacted and non-impacted business. This bulletin describes two solutions:

- If the Lloyd's Broker code with the appropriate IDD authorisation for impacted business (from an EIOPA / Recommendation 9 perspective) can be used for the entire MRC (i.e. for the non-impacted part of the MRC as well), that single Lloyd's Broker code can be used and the UMR would be reflective of that single Lloyd's Broker code.

Or

- If more than one Lloyd's Broker code has to be used, a main Lloyd's Broker code should be selected and the UMR should be reflective of that main Lloyd's Broker code.

Any additional Lloyd's Broker codes should be clearly recorded in the body of the MRC, but they should not be used to generate additional UMRs. That single UMR containing the main Lloyd's Broker code would then be used on all relevant systems and processes such as SDC, DXC Processing, BAR/DCOM, DDM etc.

These two solutions are presented in more detail further below in this bulletin; more specifically they are referred to as Scenario 3, options A and B under the [MRC and UMR Guidance](#) section of this bulletin. These two solutions allow the processing of **both impacted and non-impacted** business under a **single** MRC. Splitting the risk in multiple MRCs can still be used as an option, as described under Scenario 3, option C of the same section. For more information on all scenarios and options, as well for further background information on EIOPAs' Recommendation 9, please continue reading the full bulletin.

The options presented in this bulletin do not constitute a mandate and the preferred option can be chosen on an MRC by MRC basis when they are drafted. The intention is to provide operational guidance to facilitate the processing of Lloyd's Europe business.

Full Reading

The above summary paragraph explains in short how impacted and non-impacted business can be processed on a single MRC. For further background on EIOPAs' Recommendation 9 and for more information on the scenarios of business that can be written on Lloyd's Europe paper, please continue reading the rest of this bulletin.

In Scope

This bulletin provides guidance as per the EIOPA's Recommendation 9 requirements for intermediaries only, and specifically for Lloyd's registered Brokers.

Out of Scope

Coverholder requirements as per the EIOPA's Recommendation 9 are not in scope of this bulletin.

The revision of Lloyd's Europe's Operating Model relating to services provided by managing agents and whether these services constitute insurance distribution, as defined under the Insurance Distribution Directive (IDD), are also outside the scope of this bulletin.

This bulletin does not provide guidance as to how the appropriate Broker codes have to be selected in order to be compliant with EIOPA's Recommendation 9 requirements. This bulletin provides operational guidance on how the MRCs and UMRs should reflect the appropriate Broker codes after the selection has been made.

Finally, this bulletin does not affect any guidance already provided on how MRCs should be sectionalised where a Lloyd's Europe stamp needs to be used. The key criteria for the sectionalisation of the risk is the Regulatory Risk Location, which remains intact, therefore the decision on whether a Lloyd's Europe stamp needs to be used also remains unaffected by the guidance provided in this bulletin. The selection of the appropriate Broker codes is a different, albeit related, process to the sectionalisation of the MRC.

Background

EIOPA Recommendation 9

The adoption of the European Insurance and Occupational Pensions Authority (EIOPA) Recommendation 9 by European national regulators required Lloyd's Insurance Company S.A. (Lloyd's Europe) to make changes to the business it can accept through non-EU authorised intermediaries (Coverholders and Brokers).

Recommendation 9 addresses firms carrying on distribution activities and provides that: *“Competent authorities should ensure that all intermediaries carrying out distribution activities which target EU27 policyholders and EU27 risks fall under the scope of the IDD”*.

Definition of Impacted Business

Recommendation 9 has been interpreted to require that all firms in the distribution chain are appropriately IDD authorised, where both the policyholder **and** the regulatory risk location are in the EEA – this is referred to as impacted business. Please refer to the published “EIOPA Recommendation 9 – Managing Agent guide” under the [Additional Resources](#) section for more information.

Broker Codes and UMR

Lloyd's Brokers can register multiple Broker codes, also known as Central Settlement Numbers (CSN). Even if codes are affiliated with the same broking company, different Broker codes could be linked to different legal entities where their IDD authorisation differs and therefore cannot be used interchangeably for Lloyd's Europe business.

The Broker code is a component of the Unique Market Reference (UMR). The UMR is a critical field for downstream processing by Market Services, such as the LIMOSS Structured Data Capture service (SDC) and DXC, and a key field for Lloyd's Europe processing.

Consequences for Lloyd's Europe 'Impacted Business'

As a result of Recommendation 9 requirements, there are specific Lloyd's Broker codes which need to be used when placing Lloyd's Europe [Impacted Business](#). In some instances, more than one Lloyd's Broker code might be required for the same risk. This in turn could lead to operational challenges with regards to the generation of UMRs in combination with the usage of the correct Broker codes and how those should be reflected in the MRC. This bulletin provides guidance for the population of MRCs and definition of UMRs to allow the processing of impacted and non-impacted business under a single MRC without requiring the risk to be split across multiple MRCs.

This applies to all Methods of Placements where Lloyd's Europe is writing business, namely Open Market (including Open Market risks bound using Consortium stamps), Lineslips (the Master Agreements, Bulking & Non-Bulking), MRC-compliant declarations attaching to Non-Bulking Lineslips and Coverholder Appointment Agreements (CAAs).

MRC and UMR Guidance

- **Scenario 1:** MRCs that are written **entirely** using a Lloyd's Europe stamp and **all** attaching risks meet the criteria of [Impacted Business](#).

These MRCs should be placed using a single Lloyd's Broker code with the appropriate IDD authorisation (from an EIOPA / Recommendation 9 perspective). The UMR would be reflective of this single Lloyd's Broker code, therefore no further requirements or challenges should arise in downstream processing.

- **Scenario 2:** MRCs that are written **entirely** using a Lloyd's Europe stamp and **none** of the attaching risks fall within the definition of [Impacted Business](#) (i.e. the entire MRC relates to non-impacted business only).

These do not have to be placed using a Lloyd's Broker code with the appropriate IDD authorisation (from an EIOPA / Recommendation 9 perspective). Like Scenario 1, the UMR would be reflective of the single Lloyd's Broker code that has been used, therefore no further requirements or challenges should arise in downstream processing.

- **Scenario 3:** MRCs where a Lloyd's Europe stamp has been used (for either some or all sections) and **some, but not all**, attaching risks meet the criteria of [Impacted Business](#) (i.e. the MRC contains both impacted and non-impacted business).

Option A: If the Lloyd's Broker code with the appropriate IDD authorisation for impacted business (from an EIOPA / Recommendation 9 perspective) can be used for the entire MRC (i.e. for the non-impacted part of the MRC as well), that single Lloyd's Broker code can be used and the UMR would be reflective of that single Lloyd's Broker code; therefore no further requirements or challenges should arise in downstream processing.

Option B: If more than one Lloyd's Broker code must be used:

- A main Lloyd's Broker code should be selected and the UMR should be reflective of that main Lloyd's Broker code. The selection of the main Broker code is not restricted to the appropriate IDD authorisation for impacted business (from an EIOPA / Recommendation 9 perspective).
- The Broker Heading of the MRC should reflect the main Lloyd's Broker code in line with the UMR utilised.
- Any additional Lloyd's Broker codes required to be used should be clearly recorded in the body of the MRC, but they should not be used to generate additional UMRs.
- Once the bound slips have been submitted to SDC (as per the standard Lloyd's Europe processing requirements), SDC will extract the UMR as that is indicated under the UMR Header of the MRC. Lloyd's Europe will recognise this UMR and use it for any communications and subsequent queries to managing agents. This is also the UMR that should be registered in Placing

Platform Limited (PPL) if the risk is bound electronically so that there is consistency across all systems.

- DXC premium and claims signing messages will always be processed using the same, unique UMR but under the appropriate Lloyd's Broker code as per the attaching risk so that IDD requirements are met and monies move to and from the appropriate bank account.
- For Coverholder Appointment Agreements and for Bulking Lineslips specifically, for which the usage of Delegated Data Manager (DDM) is mandated for Lloyd's Europe business:
 - The agreements should be registered in BAR/DCOM using the same UMR as that is indicated under the UMR Header of the MRC.
 - The DDM contract should be set as per that same UMR.
 - All DDM bordereaux should be uploaded as per that same UMR.
 - Submissions to DXC should be made under the same UMR but using the appropriate payee Broker code.
 - As per DXC market communication 2020/110 dated 28 October 2020, separate UCRs should be established for those elements of the account which will be serviced by the non-EEA (typically London) and EEA Broker Central Settlement Numbers to ensure that monies are moved to the correct Broker accounts. For more information, please refer to the [Additional Resources](#) section of the bulletin.
 - The bordereau loaded to each claims UCR should only contain details applicable thereto. Similarly, where one bordereau is used for supporting additional and return premiums, it should be loaded twice, both filtered to show only the details applicable to the Broker CSN of the premium transaction submissions to which it relates.

Option C: If neither Option A nor B described above can be applied, the risk should be split in two separate MRCs, each one to reflect the relevant Lloyd's Broker code and the UMR of each MRC should align with that relevant Lloyd's Broker code.

Additional Resources

- EIOPA Recommendation 9 - Managing Agent guide (version 1.0, published on October 2020) can be found at <https://lloydseurope.com/wp-content/uploads/2021/07/Rec-9-Guidance-note-for-Managing-Agents-v1.0.pdf>
- Lloyd's Europe and Recommendation 9 Frequently asked question (April 2020) can be found at <https://lloydseurope.com/wp-content/uploads/2020/04/Lloyds-Brussels-Reccomendation-9-Frequently-asked-questions-April.pdf>
- Lloyd's Insurance Company TOBA NRT (UK Brokers) - EIOPA Recommendation 9 Addendum can be found at <https://lloydseurope.com/wp-content/uploads/2020/03/LIC-TOBA-NRT-UK-Brokers-EIOPA-Recommendation-9-Addendum.pdf>.
- DXC Market Communication - 2020/110 Broker Central Settlement Numbers (CSN) Arising from EIOPA Recommendation 9 can be found at <https://insuranceportal.xchanging.com/content/view/public/market/2020-110.pdf?1608553854000> (sign-on required) or from the DXC Service Desk (service.centre@dxc.com).

Contacts

Please submit all other queries to LloydsEurope.Info@lloyds.com and insert in the subject header "MRC Broker Codes".