

Lloyd's brokers – Interventions and dispute support

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1. Introduction

The purpose of this document is to set out the expectations of Lloyd's in respect of its registered brokers and the process of how Lloyd's may intervene in the event of a complaint or dispute. This document is not introducing any new processes however seeks to combine parts of existing Lloyd's byelaws and practices into a cohesive document for ease of referral.

2. Lloyd's (registered) brokers

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.

The **Lloyd's Act 1982** provides that the Council of Lloyd's may permit certain brokers to be called *Lloyd's brokers*.

The benefits of becoming a registered Lloyd's broker include:

- Efficient access to the world's largest specialist insurance market.
- 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.
- Being able to contribute to global business flows from over 200 countries and territories where Lloyd's is licenced.

3. Lloyd's broker registration and ongoing requirements

The Lloyd's broker registration criteria¹ that Lloyd's will apply when considering a new applicant is designed to ensure that:

- Lloyd's brokers will bring (new) business to Lloyd's.
- Suitable protections are in place to protect syndicates and policyholders as well as Lloyd's brand and reputation.
- Lloyd's brokers have the ability to process and transact business with the Lloyd's market.

Lloyd's welcomes the opportunity to consider new broker applicants that:

- Are registered as an intermediary/broker by the relevant regulator in the country in which the firm is established. For example, if the firm is established within the UK, they must be authorised as a general insurance intermediary to conduct the regulated activities by the Financial Conduct Authority (FCA).
- Are able and willing to enter into Terms of Business Agreements (TOBAs) with Lloyd's managing agents and/or Lloyd's Insurance Company S.A.
- Can demonstrate that they have adequate, suitable and compatible systems, protocols and arrangements for conducting business in the Lloyd's market, including connection to a recognised electronic system for the placement of contracts of (re) insurance.

¹ Intermediaries Byelaw – paragraphs 39 to 46, Requirements Under the Intermediaries Byelaw – paragraph 18 & 'Becoming a registered Lloyd's broker. A guide for applicants'.

- Can demonstrate that they have suitable procedures in place to ensure that insurance monies are properly safeguarded. For example, a UK broker must comply with the FCA's client money rules.
- Can demonstrate that they have in place (and will maintain) professional indemnity insurance that meets the requirements of the FCA. This minimum requirement for professional indemnity insurance is applicable to all Lloyd's brokers irrespective of their geographical location.

Post registration, Lloyd's brokers are required to maintain and uphold high standards of service and professionalism. Lloyd's expects its brokers to:

- Take all reasonable steps to protect and maintain Lloyd's reputation.
- Conduct business in a professional manner.
- Comply with all laws and regulatory requirements that apply, either in the UK and/or in any other country where business is transacted.
- Continue to comply with the requirements to be eligible to be a registered Lloyd's broker (as outlined above).

4. Lloyd's (ongoing) intervention role

Lloyd's does not regulate or supervise Lloyd's brokers, as this is the role of the FCA (or equivalent overseas regulator). Similarly, it is not Lloyd's role to:

- Oversee the broker's business or to step into the role of the regulator.
- Prevent financial harm by or to a Lloyd's broker. Each Managing Agent and Lloyd's broker is required to undertake their own due diligence with counterparties.
- Set terms of trade. Each Managing Agent and Lloyd's broker is responsible for the Terms of Business Agreements (TOBAs) that they enter into.

However, whilst Lloyd's does not regulate brokers, it has a legitimate interest in ensuring that a Lloyd's broker continues to maintain the expectations set out in its registration and ongoing requirements, and intervene where actions or behaviours are not aligned with these and may represent a risk to Lloyd's. The areas detailed below are not an exhaustive list but are intended to provide the expectations of Lloyd's.

Lloyd's brokers are expected to ensure their actions:

- **Conduct/Reputational impact**
Do not damage the Lloyd's brand (for instance mis-using Lloyd's name in advertising) or reputation (for instance inappropriate behaviour of staff.)
- **Lloyd's licence impact**
Are in line with the operational requirements set out for Lloyd's to retain its international licences, which are typically held at a single Lloyd's level. (Lloyd's International Trading Advice provide requirements on Crystal and through its bulletins)
- **Policyholder/Client impact**
Do not mislead policyholders (for example, misusing Lloyd's paper)
- **Run-off impact**
Ensure customers continue to receive services expected of a Lloyd's broker if included in a run off book of business.
- **Insurance monies impact**
Protect Underwriters' monies at all times (e.g. premiums and claims funds) including where placed into administration and/or liquidation as a result of insolvency.
- **Operating in the market impact**
Enable business to be processed avoiding systemic issues that impacts the market's ability to service policyholders.

5. Lloyd's escalation/intervention tools

Where expectations in relation to Lloyd's brokers are not met, Lloyd's may need to intervene to help manage the risk concerned.

Specific to the (broker) **company**, Lloyd's has the option(s) to:

- Conduct a review and determine whether the firm continues to be eligible to be registered as a Lloyd's broker.²
- Remove the broker from the Lloyd's register (deregister the Lloyd's broker) if no longer eligible.³
- Postpone the deregistration of a Lloyd's broker.⁴
- Refer/report the company to the FCA (or relevant regulator in the country in which the firm is established).
- Remove the broker's Central Settlement Number (CSN).
- Convene a market meeting with any managing agents that have live business and/or TOBAs with the broker – to notify them of the issue/concern.
- Direct managing agents to no longer accept any (new) business with the broker.⁵

Specific to the (broker) **employee(s)**, Lloyd's has the option(s) to:

- Refer/report the individual employee(s) to the FCA or relevant regulator in the country in which the firm is established.
- Conduct a review to determine whether the individual employee(s) is still eligible to be on the Register of Annual Subscribers (a Lloyd's building pass holder)⁶ – with the option of removing the individual employee(s) from the Register of Annual Subscribers.⁷

6. How Lloyd's will use these intervention tools

Lloyd's only intends to use these intervention powers sparingly and by exception. Generally, Lloyd's will only engage on an issue if the matter relates to behaviour(s) affecting the areas detailed earlier in this document.

In deciding what action to take, Lloyd's will have regard to when the reported identified behaviour(s) occurred and whether there has been any significant time lapse between the date of the identified behaviour(s) and the date Lloyd's was made aware.

Lloyd's will also give consideration as to whether it is more convenient for Lloyd's to centrally support in resolving an issue or whether it is more appropriate to be dealt with by any affected Managing Agent(s).

The level of interventionist approach Lloyd's adopts will be based upon the seriousness of the matter.

² Intermediaries Byelaw – paragraph 49

³ Intermediaries Byelaw – paragraph 53 & Enforcement Byelaw – paragraph 45

⁴ Intermediaries Byelaw – paragraph 54

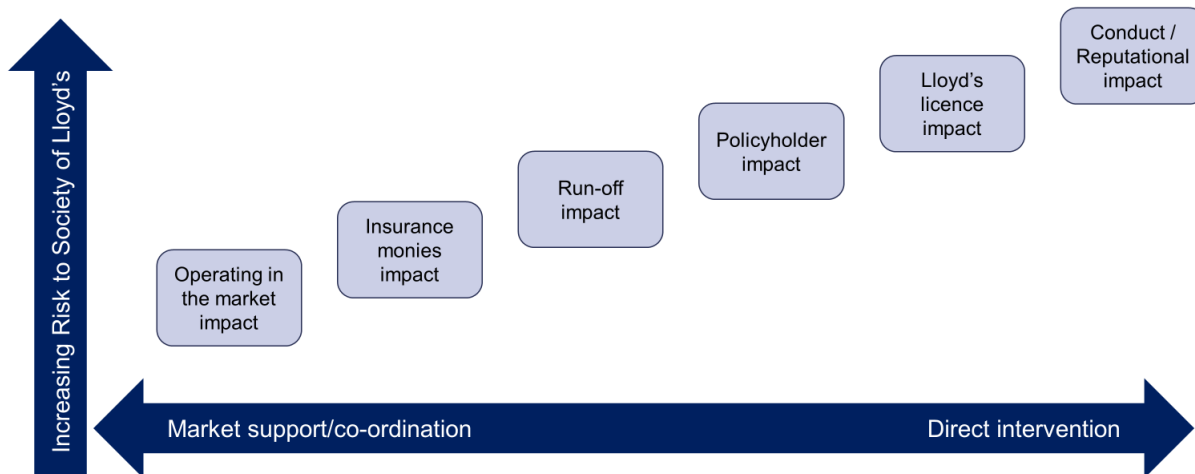
⁵ Underwriting Byelaw

⁶ Annual Subscriber Byelaw – paragraph 7

⁷ Annual Subscriber Byelaw – paragraph 8

Lloyd's Broker intervention (by Lloyd's)

Indicative escalating approach to intervention



Where Lloyd's intervenes on an issue it will seek, wherever appropriate, to support market participants rather than seek to impose an outcome. In exceptional cases, for example involving dishonest conduct and/or a threat to Lloyd's licences or reputation, then it is more likely that Lloyd's will consider it necessary and appropriate to take direct action to mitigate the threat.

Lloyd's may also play a role in co-ordinating a collective (market) response where this is considered necessary and appropriate. This may include, where relevant, the dissemination of information to the market / impacted managing agent(s) either directly and/or via the Lloyd's Market Association (LMA). However, each (impacted) managing agent must take its own action to protect its position.

If the Lloyd's broker is also a Lloyd's coverholder, then Lloyd's may consider taking additional interventions, in accordance with Lloyd's coverholder deregistration powers.⁸

7. Removal from the Lloyd's Broker Register

Separate to the above, where a Lloyd's broker places no direct business at Lloyd's within a 12 to 24 month timeframe, Lloyd's may, following consultation, remove the broker from its register and the firm will no longer be permitted to use the Lloyd's brand.

Where a broker is deregistered in these circumstances, there will be no bar to it being re-registered in the future.

A Lloyd's broker established within the UK will be de-registered if it ceases, for any reason, to be authorised by the FCA. Similarly, an overseas broker will be de-registered if it no longer complies with its local authorisation requirements.

⁸ Intermediaries Byelaw – paragraph 19

8. Removal from Lloyd's Central Settlement platform(s) if placed into administration and/or liquidation

Where a Lloyd's broker is placed into administration and/or liquidation (voluntarily or otherwise), it will be considered necessary for Lloyd's to take immediate steps to withdraw the broker's Central Settlement Number (CSN) as soon as Lloyd's is made aware of the position.

9. Use of the Lloyd's brand by branch offices

A Lloyd's broker is registered at a legal entity level and only branches that are actively operating as a Lloyd's broker should use the Lloyd's branding. Lloyd's will only permit the use of the Lloyd's branding by overseas branch offices where the following criteria are being met:

- The firm must be licenced to operate as an insurance intermediary by the applicable regulator based in the country in which the branch is located. (NB. The only exception to this is where brokers are registered in the EEA, with branches based in other EEA countries, where passporting (home/host) regulatory rules are applicable.)
- An overseas branch office should only be able to use the Lloyd's branding if they are based in a country where Lloyd's is licenced to operate.
- The branch will actively operate as a Lloyd's broker placing business into the market.

10. Global Marine Services & Broker Oversight (GMSBO) team

Please contact the GMSBO team at Lloyd's for further information: brokers@lloyds.com

11. Links to Lloyd's Byelaws and Guide(s) referenced within this document

- [Intermediaries Byelaw](#)
- [Requirements made under the Intermediaries Byelaw \(lloyds.com\)](#)
- [Becoming a registered Lloyd's broker. A guide for applicants](#)
- [Underwriting Byelaw](#)
- [Annual Subscribers Byelaw](#)