

# Delegated Claims Administrator Approval

**Guidance for Managing Agents**

31 July 2020

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# 1 Summary

The Delegated Claims Administrator ('DCA') community are key outsourcing partners that support the Lloyd's market. When handling claims, they play a critical role as the face of the Lloyd's market to many of Lloyd's policyholders, providing a core service and representing and promoting the Lloyd's brand worldwide.

Lloyd's is introducing changes<sup>1</sup> to the way that DCAs are appointed and managed in order to reduce operational expenses of Managing Agents and DCAs and improve policyholder outcomes. From 30 September 2020 DCA due diligence will be standardised and only DCAs that are approved by Lloyd's will be permitted to determine claims on behalf of Managing Agents.

These changes will deliver the following benefits<sup>2</sup>.

- Currently, when considering whether to appoint a DCA, Managing Agents separately obtain due diligence information from the DCA and there is a lack of consistency of approach. The new standardised approach will be aligned with the approval process in place for Coverholders and will ensure that, once approved and onboarded in accordance with the new arrangements, DCAs are not subject to duplicative requests for due diligence information when they are appointed by another Managing Agent.
- The ready availability to Managing Agents of centrally held standardised due diligence information will make it easier for Managing Agents if they are considering appointing an approved DCA.
- Lloyd's will obtain and check updated due diligence information of all approved DCAs. This means that Managing Agents will not need to separately request this core compliance information from DCAs which will significantly reduce the ongoing compliance burden for Managing Agents and DCAs.
- The delegation of claims authority to third parties can bring with it risks to policyholders and Lloyd's syndicates. Risks include poorly handled claims, regulatory intervention, negative impact to brand and reputation, and loss of business. Managing and reducing these risks through a consistent and robust due diligence and approval process and centralised ongoing compliance oversight will promote a culture of continuously looking to raise standards and adopt best practice.

The centralised due diligence and approval process will be as follows:

- Managing Agent identifies the new DCA that it wishes to appoint, not previously approved by Lloyd's
- DCA provides standardised due diligence information via the centralised Lloyd's process
- Responses provided by the DCA which indicate increased risk are automatically flagged to the Managing Agent
- Managing agent assesses DCA due diligence information, paying particular attention to risk features
- Managing agent submits its assessment to Lloyd's including how they will manage any risk features
- Lloyd's reviews due diligence information and Managing Agent assessment
- Lloyd's decides whether to approve the DCA and whether to apply any conditions on the approval (for example territorial or class restrictions)
- Managing Agent appoints DCA (if approved) by entering into a delegated claims administration agreement, and establishes an appropriate oversight framework
- DCA is subject to ongoing performance monitoring and management by Managing Agent and, from Q4 2021, regular ongoing compliance checks by Lloyd's

DCAs appointed by Managing Agents and notified to Lloyd's before 30 September 2020<sup>3</sup> will be grandfathered and automatically registered as approved DCAs. Starting in Q3 2021 grandfathered DCAs will be asked to provide the same due diligence information and onboarded into the same scheme as new DCAs and once onboarded will be subject to Lloyd's ongoing compliance oversight checks. The full benefit of centralising due diligence will be realised

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<sup>1</sup> See Paragraph 4A of Intermediaries Byelaw and supporting Requirements and Market Bulletin Y5296

<sup>2</sup> Further efficiencies will be gained by the Delegated Oversight Manager system which is currently under development, and grandfathered DCAs are onboarded into the scheme

<sup>3</sup> under paragraph 36D(a) of previous Intermediaries Byelaw or the Claims Outsourcing Arrangements List requirements, see Market Bulletin Y4630

once due diligence information for grandfathered DCAs has been centralised and they are subject to ongoing compliance checks.

A Register of approved DCAs will be available on Lloyds.com.

Checks within DXC are being put in place so that from 30 September 2020 DXC will raise a query when processing a binding authority if the claims arrangements stated on the binding authority, including the DCA details, do not match the DCA details in BAR.

### Coverholders with claims handling authority

From 2021, during the coverholder approval process if it is proposed that a coverholder will have claims handling authority the coverholder will be assessed against the same approval criteria applied to DCAs and Lloyd's may impose conditions on a coverholder approval which restricts or prohibits the grant of claims handling authority.

Coverholders that have already been approved can continue to handle claims on contracts of insurance that have been entered into or are being administered by that coverholder in accordance with the terms of a binding authority. Over a period of time claims due diligence information and claims handling capability will also be assessed of Coverholders that are already handling claims and Lloyd's will require any shortcomings to be addressed.

## 2 Purpose of document

This guidance document has been created to provide for Managing Agents:

- due diligence process (Appendix 1)
- standardised due diligence questions (Appendix 2)
- Lloyd's approval criteria (Appendix 3)
- Lloyd's approval process (Appendix 1)

The Guidance will be kept under review with the appropriate Lloyd's Market Association groups and refined and enhanced to incorporate feedback received.

This document contains guidance only and should be read in conjunction with the following:

- Intermediaries Byelaw
- The requirements made pursuant to the Intermediaries Byelaw
- Lloyd's Customer Minimum Standards

A copy of this document can be downloaded from [here](#) and all Lloyd's requirements are available on Lloyds.com.

## 3 Scope

DCAs will need to submit due diligence information via the centralised process and obtain Lloyd's approval before they can be appointed by Managing Agents. A DCA is a company or partnership that is authorised on behalf of the members of a syndicate to determine claims in accordance with the terms of a delegated claims administrator agreement (see the Definitions Byelaw), in other words it is authorised to:

- accept or deny a claim in whole or in part
- agree any amount payable or
- resolve any part of the claim by agreement or, if necessary, dispute resolution.

Firms that have authority to make the decision to provide, or decline to provide, a non-monetary claim service, eg to provide assistance to a policyholder under a travel policy, are also included in this definition.

Approval is **not** required for firms that only receive notification of loss or provide advisory services to the Managing Agent or DCA, or provide a service to the policyholder on the instruction of the Managing Agent or DCA. For

example, a loss adjuster, surveyor or lawyer that is appointed by a Managing Agent or DCA to investigate a claim and advise on cover and quantum does **not** require prior approval from Lloyd's.

Paragraph 4A of the Intermediaries Byelaw sets out third parties other than approved DCAs or Coverholders that Managing Agents can delegate their authority to determine claims. These include:

- other managing agents, in accordance with the Lloyd's Claims Scheme, under a consortium agreement or line slip
- other insurance companies under a line slip
- Lloyd's approved run-off companies
- an approved coverholder where the contract of insurance has been entered into or is being administered by that approved coverholder
- Lloyd's claims settling agents
- law firms
- such other persons or class or category of persons as Lloyd's may permit (for example, Lloyd's has permitted managing agent agents to delegate authority to determine claims to other insurance companies under the SCAP arrangement).

Managing Agents are permitted to authorise these firms to determine claims without prior approval from Lloyd's where there is an appropriate contract of delegated authority in place.

Although Managing Agents are not required to obtain approval prior to the appointment of law firms to determine claims, Managing Agents should register these firms with Lloyd's by emailing [delegatedauthorities@lloyds.com](mailto:delegatedauthorities@lloyds.com) and they should be linked to the relevant binder in BAR (or replacement system).

No firm that is given authority to determine claims, including DCAs, may be permitted to sub-delegate that authority. The only exception is that managing agents and managing agents' service company coverholders with delegated authority to determine claims are also permitted to sub-delegate that authority, subject to any restrictions placed on their authority to determine claims (see paragraph 4B of the Intermediaries Byelaw and paragraph A1 of the requirements made pursuant to the Intermediaries Byelaw).

## 4 The Due Diligence and Approval Process for new DCAs

See Appendix 1 for details.

### 4.1 Managing Agent triggers approval application process

A Managing Agent should apply its outsourcing strategy when considering whether or not to outsource claims handling to a DCA and will need to take account of the claims handling resources and expertise that will be required to handle the claims in question.

If the Managing Agent (referred to below as the 'Introducing Managing Agent') decides that it would like to consider outsourcing claims handling to a DCA that is not already approved by Lloyd's it should ask Lloyd's to send to the DCA a link to the due diligence questionnaire.

### 4.2 DCA provides due diligence information

The DCA will provide the requested due diligence information via the centralised due diligence process. This will involve:

- i) responding to a questionnaire, available via the link it received from Lloyd's, and submitting it to Lloyd's, and
- ii) sending relevant supporting documents to the introducing Managing Agent.

Appendix 2 provides the due diligence questions that a DCA will need to answer.

The introducing Managing Agent should assist the DCA in completing this process as far as is necessary.

### 4.3 Risk assessment

Risk features will be automatically identified in the answers provided by the DCA in response to the due diligence questionnaire. The questions that could potentially trigger an answer that will be flagged as a risk feature are highlighted in Appendix 2.

The questions and risk features have been established following extensive market consultation. We will continue to engage with the market and expect our approach to evolve with experience as the market becomes familiar with the processes we operate and we collect better data.

### 4.4 Managing Agent's due diligence

A full assessment of the information provided by the DCA via the Lloyd's process must be carried out by the introducing Managing Agent having regard to Lloyd's Customer Minimum Standards and should take into account:

- the Managing Agent's claims outsourcing strategy
- the nature and volume of claims to be handled
- the needs and expectations of the policyholders receiving the claims service
- The Managing Agent's conduct risk appetite
- The Managing Agent's operational requirements

The assessment should include checking the accuracy of the information, the standing and reputation of the entity, its key staff and owners and a consideration of whether the DCA has the resources, systems and controls that will

- provide the capability to meet the needs of the policyholders
- deliver a service that is consistent with the Managing Agent's conduct risk appetite
- be able to deliver services in line with the Managing Agent's service level expectations
- meet Lloyd's approval criteria
- meet the Managing Agent's own internal due diligence thresholds

Provided the DCA meets the above tests the Managing Agent should then consider

- what controls should be put in place in an outsourcing arrangement with the DCA, particularly around any risk features identified in the due diligence information<sup>4</sup>
- how any potential shortcomings against Lloyd's approval criteria will be addressed to ensure that all criteria for approval will be met.
- what authority to delegate to the DCA in terms of financial limit of authority, denials, complaints and referral thresholds
- oversight approach including reporting, other regular communication and audits

The Lloyd's standardised due diligence questions have been designed to cover all the areas that will be of concern to Managing Agents as well as Lloyd's. The standardisation of the due diligence process is intended to reduce the burden on DCAs by providing them with a single process to follow to operate in the Lloyd's market, removing the need for the DCA to undertake multiple Managing Agent due diligent processes. **It is therefore important that Managing Agents only ask for additional information outside the Lloyd's standardised due diligence questions in exceptional circumstances.**

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<sup>4</sup> The full requirements for delegated claims administration agreements is set out at paragraph 13 of the Requirements made pursuant to the Intermediaries Byelaw.

The introducing Managing Agent will be required to submit to Lloyd's, via a structured template, its assessment of the DCA's due diligence information including:

- confirmation on checks carried out on the information and the outcome of the checks
- how it will obtain comfort around any risk features identified
- how any shortcomings against Lloyd's approval criteria will be addressed

See below an extract of the structured template Managing Agents will be asked to complete and submit. The template to be completed by the Managing Agent (in Column D) will include the DCA due diligence questions (Column A), and answers provided by the DCA (Column B) with any risk features flagged. Managing Agents will be required to answer, in Column D, the questions in Column C. Answers will only be required to the questions in Column C that are in an amber box if the answer in column B is highlighted amber.

	A	B	C	D
	Questions to DCA Answers to questions highlighted in amber may trigger risk feature	DCA Answers	MA Due diligence assessment Questions (Questions in amber boxes only need to be answered if the DCA answer in the same row is rated amber)	MA answers
Claims processes capability controls	<p>Please send to your sponsoring managing agent your documented claims handling procedures and select which of the following areas are covered in your document:</p> <p>For any areas not selected in question above, please describe what guidance is provided to your staff in this area.</p> <p>How is workload monitored and managed?</p> <p>Are you able to send to you sponsoring Managing Agent a workload report?</p> <p>Please select which of the following services you have the capability of providing. Please describe any other service that you provide</p> <p>For each service selected, please indicate whether you have system driven diary</p> <p>For each service selected, please indicate whether you generate internal reporting against timeliness of service</p> <p>For each service selected, please indicate whether you have an internal timeliness target</p> <p>Please indicate what this target is (number of days from claim notification) and the % of claims you expect to meet that target</p> <p>Please indicate whether you set internal targets for the time within which policyholders should receive an update on claims that you are handling</p>		<p>For areas not included in the documented procedures, indicated by amber rated response, please explain how you are comfortable that clear and adequate procedures are in place in the area, which staff are familiar with.</p> <p>Please confirm that you have checked the claims handling procedures and that all areas listed in this question are covered.</p> <p>Please explain how you are comfortable that the DCA will be able to manage workload of its teams if it is not able to provide you with a workload report, as indicated by an amber rated response.</p> <p>Please explain how you are comfortable that the DCA will be able to provide a timely service if it does not have a system driven diary or generate internal reports against the timeliness of any aspect of its services, indicated by an amber rated response.</p>	

#### 4.5 Lloyd's approval

In deciding whether a DCA is suitable to be approved, Lloyd's will consider both the information provided by the DCA and the assessment provided by the Introducing Managing Agent. Lloyd's will consider whether the DCA is suitable to be an approved DCA having regard to all relevant matters, including those criteria set out in paragraph 6 of the Requirements made under the Intermediaries Byelaw. As a guide, the information and areas considered are set out in Appendix 3 including more detailed considerations that Lloyd's will have regard to in deciding whether an application will be granted and whether any conditions on the approval should be imposed. The onus in each case will be on the DCA to demonstrate that it is suitable to be approved. Appendix 3 also sets out, in respect of each approval criterion, any associated risk features that will be flagged in the answers to the due diligence questionnaire.

In applying the approval criteria, Lloyd's will take into account the particular characteristics of the DCA's business and the nature and volume of claims it will be handling.

In making its final decision, Lloyd's will take into account its assessment of the sponsoring Managing Agent's ability to effectively manage the DCA, particularly any risk features identified.

Once it has considered the DCA's due diligence information and the Managing Agent's assessment Lloyd's will either:

- Grant approval to the DCA
- Grant approval to the DCA subject to conditions or
- Reject the application for approval

Before imposing any conditions or rejecting the application Lloyd's will, where appropriate, provide the Managing Agent with an opportunity to comment on its conclusions and/or offer proposals to address the cause of approval being withheld.

Prior to confirming approval Lloyd's will ask the DCA to sign an undertaking and will have regard to the capability and willingness of the DCA to comply with the terms of the undertaking in granting approval.

## 5 Regions and Class of Business

### 5.1 Regions

DCAs will be asked during the due diligence process which countries they will be providing their claims services in and the approval (if granted) will be limited to those regions. If the DCA subsequently proposes to provide claims services in other territories it must first obtain the relevant additional permissions from Lloyd's by confirming that it has any required licences and authorisations in the new region and providing this confirmation to Lloyd's in an email sent to [delegated.authorities@lloyds.com](mailto:delegated.authorities@lloyds.com).

When extending a DCA's approval to additional territories, Lloyd's considers the country required as part of a region which, once approved, will permit the relevant Managing Agents to grant the DCA authority to provide claims services in any or all countries in that region.

In considering an extension to the additional territories, Lloyd's will request confirmation that the DCA has the required knowledge, skills and experience to handle the claims or meet local requirements and that its systems and controls support the provision of services in that territory.

Approval for grandfathered DCAs will be for all jurisdictions until Lloyd's has obtained and assessed the standard due diligence information from them and therefore no request for permission for additional territories will need to be made prior to that assessment taking place.

### 5.2 Class of Business

During the standardised due diligence and approval process the DCA will be asked to specify the class(es) of business it will be handling and for each of these classes to identify the claims handling experience and current case load per claims handler.

If a Managing Agent wishes to use a DCA that has previously been subject to standardised due diligence but for different classes of business to the class proposed, the Managing Agent should obtain from the DCA the following information in relation to the proposed class of business:

- Description of claims handling experience
- Average number of years' experience handling claims per claims handler
- Average case load per claims handler

The Managing Agent should assess the information obtained (together with all other centralised due diligence information) and, before appointing the DCA, decide whether the DCA has adequate capabilities to handle claims in the applicable class and the resources and experience to provide a claims service of the required standard. If it concludes that the resources and experience in the proposed class are adequate it should confirm this and provide the supporting due diligence information by email to Lloyd's ([delegated.authorities@lloyds.com](mailto:delegated.authorities@lloyds.com)).

This will only apply to grandfathered DCAs once they have been through the standardised due diligence process.

## 6 Branches

Lloyd's maintains as part of the register of approved DCAs all approved DCA offices. Therefore, a branch registration or application should be made for each branch where a DCA wishes to operate from multiple locations or from a location that is not already registered. The branch location should be part of the same legal entity as the existing DCA and, as such, will have the same legal name and the same registered address.

This does not include subsidiaries or 'sister' companies within the same group, each of which must submit a full DCA application unless the subsidiary or sister company has confirmed to Lloyd's that it has the same systems and controls as another company in the group that has been grandfathered.

Once a branch office is registered, claims can be handled from that location. The address can also be used on business documentation, websites and advertising.

The difference between branches that need to go through a branch application process, as opposed to a registration process, is explained below. The process for making a branch registration and branch application is set out in Appendix 1

For grandfathered DCAs, the branch registration process and not the branch application process should be applied to register all new branches until the DCA has been subject to Lloyd's standardised due diligence process.

It is recognised that employees of the DCA will work from home or other locations away from the branch address. DCAs will be required to have adequate controls around these staff that are equivalent to the controls around staff that work at the registered branch office.

### 6.1 Branch registration

It is the Managing Agent's responsibility to review the criteria set out below for the branch registration process and to confirm whether they are met:

- The branch is in the same country as the previously approved office
- The branch office operates off the same systems that link into the already approved office
- The management policies, processes, procedures and oversight regime are the same as the already approved office
- The existing bank accounts are being used
- The PI/E&), fidelity and cyber policies for the previously approved office covers this branch office.

### 6.2 Branch application

If the branch office does not fit all of the criteria for the branch registration process then an application should be made for branch approval. See Appendix 1 for the branch approval application process.

To enable Lloyd's to process the branch application as quickly as possible, Managing Agents should liaise with the relevant Lloyd's international representative to discuss the branch application prior to submission.

## 7 Approval and the DCA Register

Once Lloyd's has completed the approval process and received a signed undertaking from the DCA, the name of the DCA will be entered into the register of approved delegated claims administrators, which is published on Lloyds.com. This register will include both grandfathered DCAs and DCAs approved since 30 September 2020. Managing Agents will also have access to the DCA register in the Insights Hub and this source will include the status of the DCA, ie whether it is grandfathered or approved post 30 September 2020.

A DCA must not hold itself out as being an approved delegated claims administrator unless it has been appointed by a Lloyd's Managing Agent to handle its claims and its name appears in the register of approved delegated claims administrators.

## 8 Appointing a Lloyd's approved DCA

If a Managing Agent wishes to appoint a Lloyd's approved DCA which is new to that Managing Agent, the Managing Agent should check the Insights Hub to find out whether the DCA was grandfathered or has been through the standardised due diligence and approval process.

If the DCA has been through that process (ie was approved after 30 September 2020), the Managing Agent should request from Lloyd's the standardised due diligence information in relation to that DCA. Once the Managing Agent has assessed this information, if it decides to go ahead with the appointment, the Managing Agent should ask Lloyd's to register its relationship with the DCA. Lloyd's may in appropriate circumstance impose conditions on the DCA in respect of its appointment by a particular managing agent to address any specific issues that may apply either in relation to the capabilities of the DCA or the Managing Agent. .

If the DCA is a grandfathered DCA, the Managing Agent should inform Lloyd's that it wishes to appoint the DCA. The Managing Agent should first conduct due diligence in accordance with Lloyd's Minimum Standards but this does not need to be via the Lloyd's standardised due diligence questionnaire. Lloyd's will, however, consider any requests by the DCA or the Managing Agent to use the standardised due diligence questionnaire for grandfathered DCAs if this is considered the preferred option.

See Appendix 1 for more detail around appointing Lloyd's approved DCAs.

Note that this section applies to arrangements to appoint a DCA at the same office/address as the office/address registered for the approved DCA. If the DCA proposes to use a branch that is not included on the register on Lloyds.com, a branch application or registration will need to take place. See section 6 above.

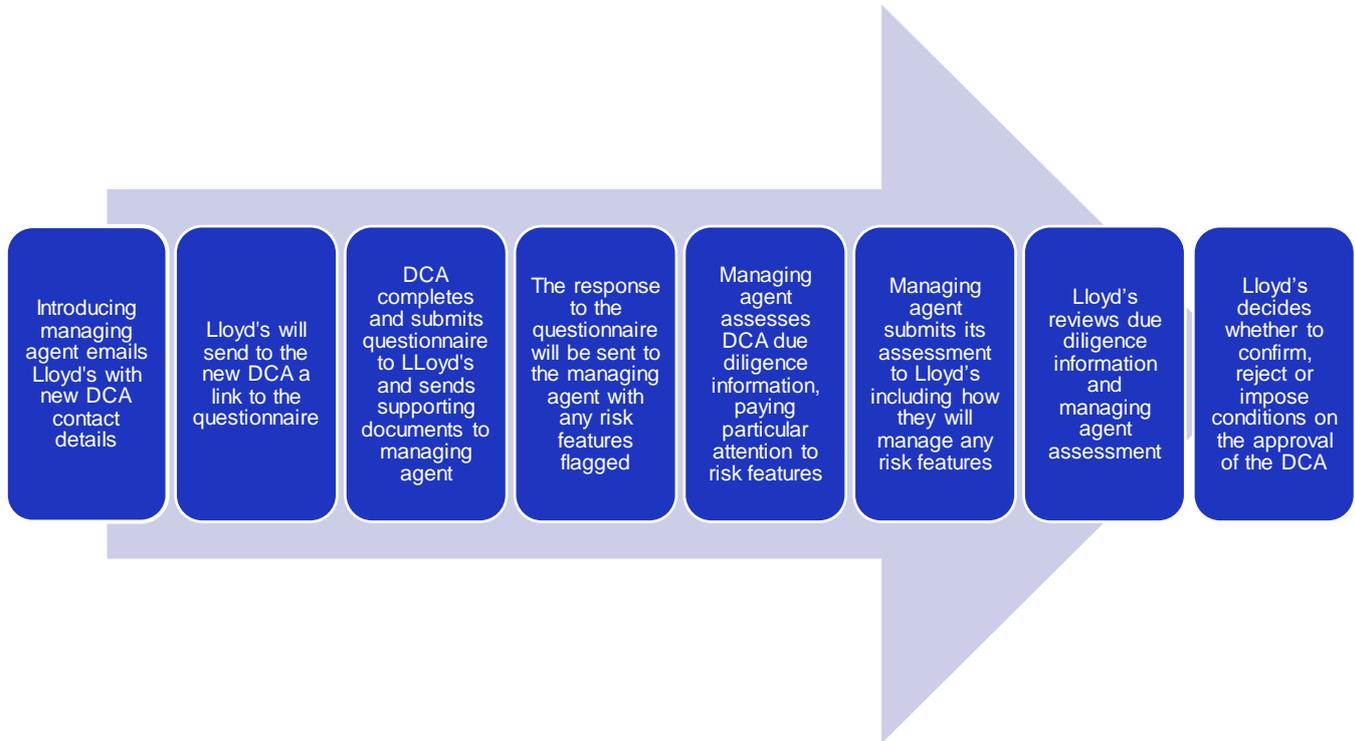
## 9 Lloyd's expectations

DCAs that have been approved by Lloyd's are expected to comply with the terms of an undertaking to Lloyd's and operate within any conditions applied to the DCA's approval (including regarding class of business or geographical limits). Lloyd's will also expect DCAs to meet the terms of their delegated claims administration agreement(s) and engage positively with Managing Agents and Lloyd's in monitoring and managing the service provided.

DCAs are highly valued business partners who play a key role in enhancing Lloyd's reputation and will therefore be held to Lloyd's high standards of business conduct, which include always acting with professionalism and integrity, treating everyone with dignity and respect, and never discriminating against anyone.

## Appendix 1 - Due diligence and approval process

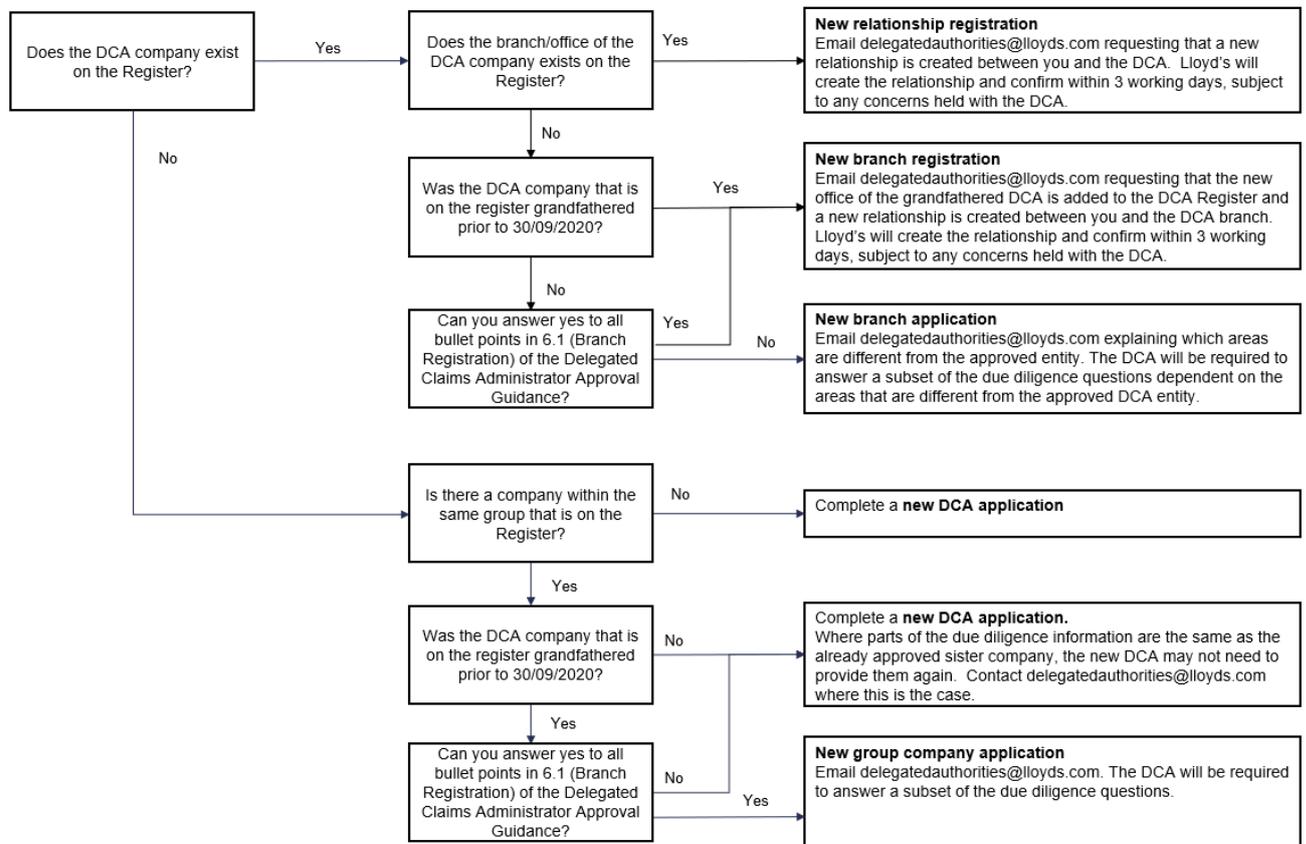
### New DCA approval, high level process



## Before you appoint a new DCA or use a new branch of a DCA

If a managing agent is considering appointing a new DCA or a new branch of a DCA, they should check the DCA Register on the Insights Hub to see if the office of the DCA that would be handling the claims is registered. The DCA Register will be published by 31 August 2020.

Introducing managing agents should use the decision tree below to decide what to do after checking the DCA Register.



## New DCA application process

1. The introducing managing agent should email [delegatedauthorities@lloyds.com](mailto:delegatedauthorities@lloyds.com) with the following information:
  - a. DCA legal entity name
  - b. DCA branch address
  - c. DCA contact name
  - d. DCA contact email address.
2. Lloyd's will send to the DCA contact a unique link to the approval due diligence questionnaire.
3. The DCA should complete the questionnaire. This can be done in conjunction with the managing agent by sharing the unique link. The questionnaire can be saved and returned to later. Detailed guidance will be contained within the questionnaire.
4. Once the DCA has completed the questionnaire they should click the submit button. The questionnaire will be received by Lloyd's.
5. The DCA should also send the supporting documents specified within the questionnaire to the managing agent.
6. The completed questionnaire will be sent to the managing agent with any risk features flagged.
7. The managing agent should review the responses and add their assessment in the dedicated column, paying particular attention to the risk features.
8. The managing agent should submit their assessment to [delegatedauthorities@lloyds.com](mailto:delegatedauthorities@lloyds.com).
9. Lloyd's will complete its review. If necessary, Lloyd's will contact the managing agent to discuss the application.
10. Lloyd's will notify the managing agent and the DCA of its decision (approved, approved with conditions, declined) via email.
11. Once approved, the new DCA will be added to the DCA Register on lloyds.com.

## **New relationship registration**

If a managing agent wishes to appoint a DCA branch that already exist on the DCA Register, they should apply for a new relationship registration by emailing [delegatedauthorities@lloyds.com](mailto:delegatedauthorities@lloyds.com) with the following information:

- a. DCA legal entity name
- b. DCA branch address

Lloyd's will create the relationship between the DCA branch and the managing agent within three working days.

## **New branch registration process**

If a managing agent wishes to appoint:

1. a branch of a grandfathered DCA where the branch does not exist on the DCA Register,  
*or,*
2. a DCA entity that was approved after 30/09/2020 where the branch does not exist on the DCA Register but it meets all the criteria set out in 6.1 of the Delegated Claims Administrator Approval Guidance,

they should apply for a new branch registration by emailing [delegatedauthorities@lloyds.com](mailto:delegatedauthorities@lloyds.com) with the following information:

- a. DCA legal entity name
- b. DCA branch address
- c. DCA contact name
- d. DCA contact email address
- e. (Only for point 2 above) Confirmation that the new branch meets the criteria specified in 6.1 of the Delegated Claims Administrator Approval Guidance.

Lloyd's will add the branch to the DCA Register and create a new relationship between the managing agent and the DCA branch, subject to any concerns held with the DCA, within 3 working days.

### **New branch application process**

If a managing agent wishes to appoint a branch of a DCA entity that was approved after 30/09/2020 and the branch does not meet all the criteria specified in 6.1 of the Delegated Claims Administrator Approval Guidance, they should email [delegatedauthorities@lloyds.com](mailto:delegatedauthorities@lloyds.com) with the following information:

- c. DCA legal entity name
- d. DCA branch address
- e. DCA contact name
- f. DCA contact email address.
- g. Details of which areas of the criteria specified in 6.1 are different:
  - i. The branch is in the same country as the previously approved office
  - ii. The branch office operates off the same systems that link into the already approved office
  - iii. The management policies, processes, procedures and oversight regime are the same as the already approved office
  - iv. The existing bank accounts are being used
  - v. The PI policy for the previously approved office covers this branch office

The DCA will be required to answer a subset of the due diligence questions dependent on the areas that are different from the approved DCA entity.

### **New group company application process**

If a managing agent wishes to appoint a new DCA that is within the same company group as a DCA that was grandfathered prior to 30/09/2020, and the new DCA meets all the criteria specified in 6.1 of the Delegated Claims Administrator Approval Guidance, they should email [delegatedauthorities@lloyds.com](mailto:delegatedauthorities@lloyds.com). The DCA will be required to answer a subset of the due diligence questions and these will be supplied upon engagement with Lloyd's.

## Appendix 2 – DCA due diligence questionnaire

### Key

	Answer to highlighted questions could trigger automated flagging of a risk feature
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Core	What is the name of your legal entity and the date that it started?
	Please give details of your sponsoring Lloyd's Managing Agent
	Which syndicate is sponsoring your application?
	Please confirm your legal structure
	What is the effective start date of your legal name (this is the date you began using the legal name)?
	Please confirm that only the named legal entity on this application will be handling claims.
	Please provide your trading names and their start dates.
	Are any of these trading names separate legal entities?
	Which country are you located in?
	Your Registered address
	Your Trading address
	Your company registration details
	Will you be handling claims from multiple offices/locations?
	If you are handling claims from more than one office/location, please provide details of your other offices and discuss with your sponsoring Managing Agent how to make a branch application for each office.
	Which countries are you seeking permission to handle claims in as a Lloyd's DCA?
	Please list your membership of any trade bodies or associations together with the year you joined
	Do you require local regulatory authorisation to handle claims in your domicile?
	Applicant Principal Contact Details
	Contact details for the person Lloyd's should contact to obtain an annual compliance attestation from you
	Do you currently have delegated claims handling authority with any other insurer?
	What percentage of your turnover is provided by your largest carrier?
	Are you an active member of a Claims database?
	Have you ever had delegated claims handling authority removed or reduced by an insurer?
For which classes of business are you applying for authority to handle claims?	
Please describe the claims handling background of your claims handlers for each class	
Please provide average number of years' experience for each class	
Are you expecting to have Delegated Complaints handling authority?	

	<p>Do you intend to reference either Lloyd's or Lloyd's DCA status in any marketing material including online?</p> <p>Will you be undertaking any non-insurance business?</p> <p>If you will be undertaking any non-insurance business are these segregated from insurance business?</p> <p>Please describe your core business activities, including any non-insurance activities</p> <p>Are your insurance and non-insurance business activities segregated?</p> <p>Please outline or send to your sponsoring managing agent a copy of your business plan ensuring it covers the following as a minimum:</p>
Finances	<p>Are you a 'start-up' (have you been operating for less than 2 years)?</p> <p>Please send your accounts (or forecast if you are a 'start up') to your sponsoring managing agent</p> <p>If your accounts are not audited please explain why not.</p> <p>Do you have a parental guarantee that you want to use in support of this application?</p>

Key staff Owners Controllers	<p>Is the applicant publicly listed?</p> <p>If the applicant is publicly listed, are the details of significant corporate and individual shareholders publicly available?</p> <p>Company trading name</p> <p>Please supply details of owners</p> <p>Are there any planned future changes to ownership and control of the applicant?</p> <p>Has there been any merger and/or acquisition activity, valuation, sale or purchase of the applicant within the last 5 years</p> <p>Please detail any changes to Senior Management in the last three years</p> <p>Are you part of a wider group of companies? If so, please send a group structure chart to your sponsoring managing agent</p> <p>Do any of your principals, directors or key staff hold directorships or investments in any other insurance entity or any supplier of good or services to your organisation?</p> <p>Are there any known conflicts of interest with your principals or directors?</p> <p>Has any of the DCA its key staff, owners and controllers, been charged with or convicted of fraud in the last twelve months, party to legal action to which your company is a party, been insolvent or subject to any application for liquidations, receiverships, bankruptcy or similar proceedings or been subject to an administrative order, entered in to or propose to enter in to an agreement or assignment with creditors or otherwise acknowledge insolvency, been disqualified under company law, Been criticised, fined, warned, sanctioned or disciplined, suspended or expelled by any insurance industry, trade association, professional or regulatory body, had a licence or authorisation to conduct insurance business refused, suspended, withdrawn or not renewed, been asked to resign (other than taking redundancy) or been dismissed from any previous office or employment, applied to be a Lloyd's DCA before and had the application declined or a previous approval revoked</p> <p>Name, contact details and experience of key staff</p> <p>Have key man dependencies have been identified?</p> <p>Please provide details of all Directors not already listed in this section</p>
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	<p>If any of the Directors listed above are not also recorded as key staff please provide a summary of their experience and qualifications.</p> <p>Please provide contacts details for person responsible for: Accounts/finance/credit control; Complaints handling; Compliance/Conduct risk/treating customers fairly; IT / Systems; Bordereaux production and checking; Business continuity; Third party appointments;</p> <p>What pre-recruitment checks are undertaken on key staff?</p>
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<p>PI/E&amp;O Fidelity Cyber (4) Insurance</p>	<p>Does your current PI/E&amp;O policy cover your activities as a third party claims administrator?</p> <p>Does your current PI/E&amp;O policy cover the legal entity applying to be a DCA?</p> <p>Is your PI/E&amp;O policy fully in place and accepted?</p> <p>Please provide details of your PI/E&amp;O insurer and insurance cover</p> <p>Does your policy extend to acts of dishonesty of employees?</p> <p>Do you purchase a separate fidelity insurance policy?</p> <p>Please provide details of your fidelity insurer and cover</p> <p>Do you have any additional lines of PI cover?</p> <p>Please provide details of cyber cover and cyber insurer</p> <p>Have you had any PI, fidelity or cyber claims in the last five years?</p> <p>Please provide full details, including year of claim(s), Currency, amount and a description of any claims</p> <p>Have you ever had renewal of your PI, fidelity or cyber insurance policies declined by an insurer?</p>
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<p>Claims staff (5)</p>	<p>How many claims handling staff do you employ?</p> <p>How many of these staff will have claims handling authority on behalf of Lloyd's syndicates?</p> <p>With reference to the structure described above, please detail which roles/job titles will have claims settlement authority.</p> <p>Please detail who will agree the settlement of claims above the authority limit of the roles described above.</p> <p>Are your staff required to have any claims handling qualifications? If so, please describe</p> <p>How many hours of training are your staff required to do per annum?</p> <p>Are your claims handling staff trained to deal with vulnerable customers?</p> <p>Please describe any other particular training that is required</p> <p>Please list the countries in which your staff speak the local language fluently</p> <p>Please advise your claims staff turnover rate for the last financial year (i.e. number of claim staff who left your employment as a percentage of your total claims headcount)</p> <p>Do you ever allow claims settlement decisions to be made by anyone not directly employed by the applicant legal entity?</p> <p>What is the average caseload per claims handler?</p> <p>Do any of your staff ever work in a country which is different to your address?</p>
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	<p>If your staff do ever work in a different country to your office, please explain the procedures in place to ensure that they do so in compliance with all local rules and regulations and that where necessary required permits, licences or authorisations are obtained.</p> <p>Please describe the flexible work arrangements you have in place, selecting all of the answers that apply and describe the flexible working arrangements including frequency with which staff work outside the office, controls in place when staff work outside the office, data protection and security including including where hard copy files are removed from the business premises,</p> <p>Are there any financial incentives in place for staff around how claims are handled?</p>
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<p>Claims processes capability controls (6)</p>	Please send to your sponsoring managing agent your documented claims handling procedures and select which of the following areas are covered:
	For any areas not selected in question above, please describe what guidance is provided to your staff in this area.
	How is workload monitored and managed?
	Are you able to send to you sponsoring Managing Agent a workload report?
	Please select which of the following services you have the capability of providing.
	Please describe any other service that you provide
	For each service selected, please indicate whether you have system driven diary
	For each service selected, please indicate whether you generate internal reporting against timeliness of service
	For each service selected, please indicate whether you have an internal timeliness target
	Please indicate what this target is (number of days from claim notification) and the % of claims you expect to meet that target
	Please indicate whether you set internal targets for the time within which policyholders should receive an update on claims that you are handling
	Is there a requirement for every claim that there should be a record of the date when the next step should be taken?
	Please provide any additional information about diary management including how you monitor that steps are taken with the diarised dates.
	Are you prepared to accept authority to deny claims?
	Please describe your controls around denials including who has authority to deny a claim and how reasons for denial are recorded.
	Which of the following would you adopt to pursue subrogation or salvage recoveries?
Do you carry out any analysis of accuracy of reserving?	
Please describe any other controls you have in place around timeliness and accuracy of reserving and send to your sponsoring managing agent any documented procedures related to reserving if these aren't included in your claims handling procedures.	
Which of the following customer outcomes indicators do you monitor with internal reporting?	
Please describe how monitoring of customer outcome indicators is used to manage customer outcomes	
Are you able to provide any recent reports against internal service levels or targets?	

Please describe any other standard internal management reports that you produce and indicate whether these are available on line. Please send samples to your sponsoring managing agent, if available.

How do you identify claims that are outside your authority from insurers (eg value of claim, denials, appointment of expert)?

Do you select, appoint and instruct third party adjusters to assist in the investigation of a claim (assuming you have authority to do so)?

Would you be prepared to appoint third party adjusters specified by a managing agent, or from their panel?

Please describe your process for deciding whether and when to appoint an adjuster and who to appoint.

Do you select, appoint and instruct lawyers to assist in the assessment of a claim (assuming you have authority to do so)?

Would you be prepared to appoint lawyers specified by a managing agent, or from their panel?

Please describe your process for deciding whether and when to appoint a lawyer and who to appoint.

When you instruct an external adjuster, which of the following do you pre-determine:

When you instruct a lawyer, which of the following do you pre-determine:

How do you manage performance of external adjusters?

How do you manage performance of lawyers?

What % of your claims involve an external adjuster? Please provide this for each COB specified in the Core section

What % of your claims involve an external lawyer? Please provide this for each COB specified in the Core section

Do you have the capability of conducting defence on behalf of the insured (assuming you have authority)?

How do you approach conducting defence on behalf of insured?

Do you have the capability of conducting defence on behalf of the insurer?

How do you approach conducting defence on behalf of insurer in any legal proceedings?

Do you have a documented litigation management procedure?

Is there a regular internal quality review of claims files?

Which of the following areas are reviewed?

Please identify any other areas that your internal file review process covers.

What is the frequency and sample size of reviews

In your peer review process, do you include the following in the sample criteria

How and how often will you report the outcome of your internal file review process to underwriters?

Do you maintain any files outside the system e.g. paper files, emails?

Will syndicate underwriters and auditors be able to view records you hold in relation to claims online?

Which of the following measures do you have in place to cater for an event which results in a surge in claim volumes.

Is your surge plan documented? If 'Yes' please send documented plan to your sponsoring managing agent, if it is not included in other documents that have been provided

	How often do you test your surge plan?
	Can you send the results of your latest surge plan test? If 'Yes' please send to your sponsoring managing agent
	Does this plan involve outsourcing to another legal entity? If so, please send to your sponsoring managing agent documented outsourcing agreement.
	If you will be receiving notification of claim how do you expect to receive notification of claim?
	What channels of communication are available to policyholders?
	How will policyholders provide you with supporting documentation
	Do you provide an emergency out of hours contact number for policyholders?
	If so, please explain how and in what circumstances the number is made available whether and if so how often the number is reviewed and tested.
	Will you be using a dedicated call centre operation to communicate with Lloyd's policyholders?
	Please select from the following which apply to telephone calls with policyholders (at a call centre or otherwise)
	What is the average pick up/abandonment time for calls made to your staff?
	If your staff, or call centre staff, use call scripts, are you able to send a copy of the script to your sponsoring managing agent?
	Do you have any tools or adjusted services that support vulnerable customers, eg documents in braille, induction loops, accessible website, home-based services.
	Do you collect regular customer feedback on your service?
	How do you request feed back?
Would you have the capability of obtaining customer feedback if the insurer were to provide you with questions?	
How would this be managed?	

Bank accounts and payments	Do you intend to utilise loss funds for Lloyd's business?
	Please name the bank(s) where the underwriter's funds are held
	Please name any other bank or payment company involved in making payments on behalf of underwriters or receiving loss funds and send to your sponsoring Managing Agent a rate of exchange schedule if applicable.
	Please describe the payment methods available through your bank or payment companies
	If you do not intend to use loss funds for Lloyd's business, please explain how you intend to manage claim payments
	If you will be holding insurer's loss fund account(s), will these be segregated from your operating accounts?
	If you intend to hold loss funds for Lloyd's underwriters, would you be willing to set up a separate account for the following:
	If you are not prepared to set up a separate bank account for each insurer client, how would you segregate funds for different insurers?
	Will insurer's loss funds be held in trust account(s)?

	<p>Do you have a letter from your bank confirming that they are aware that the monies held in your loss fund accounts are held on behalf of others in a fiduciary capacity, and that no right of offset applies to such monies? Please send to your sponsoring managing agent if available.</p> <p>Please explain the process and timeframes for allocating funds received from underwriters or other third parties</p> <p>Are any accounts that contain insurer monies swept?</p> <p>Are any fees charged by you, your bank or payment company for managing loss funds or making payments. Please explain how they are accounted for.</p> <p>If fees are charged for managing loss funds or making payments, are you able to provide a fee schedule for all of these fees? If 'Yes' please send fee schedules to your sponsoring managing agent.</p> <p>If you intend to hold Lloyd's funds, how often do you reconcile your bank accounts against your record payments, receipts and fees charged?</p> <p>Are you prepared to send a reconciliation statement for funds held for each insurer at binder/YOA level showing funds in, out and current balance?</p> <p>If Yes, how often can this be made available?</p> <p>If you intend to hold Lloyd's funds, are your insurer money bank accounts audited by an independent auditor?</p> <p>How often is an independent audit of your bank account conducted?</p> <p>When was the last independent audit of your bank account conducted</p> <p>Is the payment authorisation for your insurer money accounts single or dual signatory?</p> <p>Are there levels of authority based on the amount being paid?</p> <p>Please describe the process for monitoring the adequacy of loss fund, requesting additional funds to ensure funds are available to pay agreed claims promptly and returning excess loss funds</p> <p>Please provide details of the management of outgoing payments from insurer money accounts including the seniority, number of signatories and whether this varies depending on the value or type of payment and settlement mechanisms used e.g. cheque, bank transfer etc</p> <p>Please explain your procedures for removing fees from insurer money accounts.</p> <p>Do you handle multiple currencies during the claims handling and settlement process?</p>
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Systems	<p>Please identify the system you use for each of the following: invoicing, accounting, credit control, management information and internal reporting; reporting to underwriters (bordereaux production); electronic document (policy and claim documents) storage, claims management. If you do not have a system for any of these functions, please explain how this function is managed.</p> <p>For each system that you use, please specify: version in use, supplier, when you started using the system, whether it's hosted on your premises or by a third party, whether you have a formal technical support arrangement in place.</p> <p>If you have indicated that any of your systems are Excel based please provide further details on each.</p> <p>If you plan to use a specified system but it is not yet in use, please provide further details on when you expect these systems to be in place.</p> <p>If you have indicated that one or more of your systems is hosted by a third party, is a service level or outsourcing agreement in place and is it fully compliant with relevant data protection regulation. If it is not fully compliant, please provide further details.</p>
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Please provide details of any back-up or disaster recovery services provided by the third party supplier.

Do you have any major upgrades planned within the next year for any system you have told us about? If so, please provide details.

Please describe the technical support you have available for each system

Have any of your systems encountered any problems in the last year which resulted in downtime of more than half a day?

Do you have arrangements to back up data from all systems you have told us about on a regular basis?

Please describe your back up arrangements (if any) including: whether the back-up is tape or cloud based; whether the back-up is encrypted; whether any back-up tapes are stored in a secure off site location; whether the back-up is regularly tested for recoverability; how long back-ups are retained.

Network protection by a firewall or similar software/hardware

Regular updates to the operating systems and firmware as required to address any identified vulnerabilities

System access is restricted by user ID to user required systems/functionality only

Passwords are changed regularly and at least every 90 days

System transactions are auditable for user, time and date

Please provide details of any other controls in place.

Please describe the process in place and provide any documented policy for making changes or enhancements to your live systems.

Please describe how you maintain data accuracy and data integrity throughout the lifecycle of a claim. Please include information on any automated or manual checking processes that are in place to ensure data is accurate, complete and up to date.

How do you ensure that personal or sensitive data is handled in accordance with applicable data protection regulation?

Do you use or do you intend to use an online portal (secure online system) through which Lloyd's policyholders can communicate with you?

Details of Claims Portal

Is the portal already in existence?

What functionality does/do you expect the online portal to have?

Has this portal been designed for you specifically?

Is the portal available 24/7?

Please provide details of controls and governance around the use and maintenance of the portal to ensure it contains up to date information

Is there a forced disconnection and re-authentication after a set period of inactivity in the portal and if so please explain how this works?

Please confirm you have read Lloyd's branding guidelines and that your claims portal is compliant with them.

Who owns the claims portal?

Who hosts the claims portal?

	If you do not own and host the portal, are there formal support arrangements in place with the owner or host to ensure data protection and the continued operation of the claims portal including service level agreements?
	Do you have the ability to turn off the system?
	Has the portal encountered any problems in the last year that resulted in downtime of more than half day?
	Is your portal capable of integration (via API etc.)?
	Are your policyholders able to communicate with you via an app which can be downloaded to their mobile device?
	Are you able to capture and report data that complies with all of Lloyd's reporting standards? Please send to your sponsoring managing agent your reporting template containing all Lloyd's Coverholder Reporting Standard fields.
	Do you have the capability to access documents, data and claims files sourced from managing agent platform without manual migration of data and information to your platform?
	Do you have the capability for machine learning or optical character recognition for the ingestion of data or information?
	Do you ingest any third party data sets to enrich claims information? If Yes, please describe the data sets and how it is ingested and used.
	Is your claim system capable of integration (via API etc.)? If so, to what extent?
	Do your claims system(s) automate any part of the claims process?
	If your system does automate any part of the claims process please describe here
	Please provide any other details of process automation including controls and reporting available
	If your system does automate any part of the claim process, how do you ensure system issues or downtime do not impact on the experience of claimants and that they continue to receive an appropriate level of service?
What other controls are in place for the tracking and management of system driven claims process.	

Compliance	Do you have your own in-house training covering financial crime topics?
	If you do not have in-house financial crime training, do you have a third party supplier for training covering financial crime topics?
	Have your key staff completed the Lloyd's e-learning modules?
	Please confirm that you have read and understood the requirements of the Lloyd's and relevant regulatory complaints frameworks and that you have compliant procedures in place.
	With consideration of the information you have provided about where you are located and the claims you intend to handle please confirm that you are General Data Protection Regulation (GDPR) compliant or compliant with any other local data protection requirements
	Please confirm that the following policies are documented and contain the listed contents: AML, succession policy; Financial Crime; Conflicts of Interest; Complaints Handling; Whistleblowing; Fair treatment of Customers; Data privacy; IT security; outsourcing.
	Please provide details around the methods and frequency that information is cascaded to staff
Are you aware of any conflicts of interest that have not been disclosed elsewhere in this application?	

Please confirm you have all necessary licenses, permits and other authorisations in all jurisdictions where you are domiciled, trade, provide services, handle claims or otherwise operate under a DCA agreement.

Please explain the licences you hold and rationale for why these are appropriate with respect to your business model and whether you have received legal advice in this area. What is your process for ensuring all licences, permits and other authorisations in all jurisdictions where you are domiciled, trade, provide services, handle claims or otherwise operate under a DCA agreement remain up to date?

If no licence and authorisations are required, please explain how you monitor the requirements in all jurisdictions in which you operate under a DCA agreement to ensure your regulatory status remains appropriate.

## Appendix 3 – Lloyd’s Approval Criteria

Lloyd’s approval criteria are set out in the Requirements made pursuant to the Intermediaries Byelaw, paragraph 6. The following sets out the details that Lloyd’s will consider in determining whether these criteria are met.

Competence, standing and reputation of organisation, owners, controllers and key staff				
	Lloyd’s requirement	DCA information	Risk features	MA input
1.1	The information provided by the DCA as to its legal name, entity type and addresses is correct, and up to date.	Legal name, entity type, address(es)	The DCA is not an incorporated company or a partnership	MA will be asked to confirm that the legal name is correct, according to Companies House register if it is a UK company, and that its name and addresses align with details provided in the application
1.2	The DCAs business strategy should be aligned with relevant components of Lloyd’s strategy, including: providing its customers with the support they need and paying claims quickly and efficiently	Business plan and strategy		The MA will be required to confirm that the business plan contains all of the required information and the MA is comfortable with management and controls around any non-insurance activities carried out by the DCA
1.3	The DCA and its owners and key personnel are of good reputation, character and financial standing of owners. Any issues identified, such as former denial of approval or conflicts of interest have been addressed	The DCA will be asked to provide details of owners and controllers and identify any reputational issues with key staff, owners or controllers for example relating to fraud or insolvency	DCA confirms that key staff, owners or controllers have been charged or convicted with fraud and/or other offence; been party to legal proceedings; been insolvent or subject to application for liquidation or similar; been	The MA will be asked to confirm that due diligence has been carried out on DCA owners and if any issues were raised how they have been resolved. If the DCA identifies any issues with regard to reputation or standing, or conflicts of interest, the MA will be asked to explain how these have been addressed or

Security unclassified

Competence, standing and reputation of organisation, owners, controllers and key staff				
	Lloyd's requirement	DCA information	Risk features	MA input
			disqualified; subject to regulatory criticism etc; had license refused suspended or withdrawn; been asked to resign or dismissed from previous employment	justify continuing to support the application
1.4	Key staff have appropriate experience (including background of claims management and experience of managing outsourced arrangements) and there are no outstanding issues arising from an investigation of their background.	The DCA will be required to provide the details of directors and key staff (up to 10) including pre-recruitment checks, years of claims handling experience, professional qualifications and key responsibilities		The MA will be required to confirm that it has carried out background checks and searches on all key staff listed and has not identified or has resolved any issues. MA will also be required to confirm that it has assessed the experience and suitability of key staff and is comfortable with the role that it will perform or is taking steps to mitigate the risk arising from inexperienced staff

## Licenses and regulatory authorisation

Lloyd's requirement				
	DCA information	Risk features	MA input	
2.1	The DCA should meet all licensing and regulatory requirements in the territories where it operates. DCA has provided evidence that it meets those requirements.	The DCA will be required to confirm whether it requires local regulatory authorisation in the region where it will be providing a claims service and that it has any required licences, approvals and regulatory permissions for all relevant territories/ jurisdictions and also a process for ensuring regulatory status remains appropriate	DCA requires local regulatory authorisation in the jurisdiction where it will be handling claims	MA will be required to confirm that it has checked regulatory requirements in the region where the DCA will provide services and that the requirements are met.

## Financial resources, banking arrangements, and PI and Fidelity insurance

Lloyd's requirement				
	DCA information	Risk features	MA input	
3.1	Lloyd's will require DCA to be financially viable.	DCA will be required to provide financial accounts for the last two accounting periods including a balance sheet and profit and loss statement.	DCA has not submitted accounts that have been audited or published	MA will be required to summarise its due diligence of the DCA's finances and either confirm that it has no concerns about the financial viability

Financial resources, banking arrangements, and PI and Fidelity insurance			
Lloyd's requirement	DCA information	Risk features	MA input
			of the applicant or identify the steps taken to address any concerns.
3.2	Lloyd's will require the DCA to hold any Lloyd's funds in trust accounts or have in place equivalent arrangements (for example an offset letter from the bank) to keep funds secure if the DCA experiences financial difficulties	If the DCA holds Lloyd's funds it will be required to confirm and evidence that it holds Lloyd's funds in trust accounts or equivalent arrangements	DCA does not hold funds in trust account and/or does not have letter from bank confirming monies are held in fiduciary capacity
3.3	Lloyd's will require the DCA to have in place adequate banking arrangements to keep Lloyd's funds separate from any non-Lloyd's funds.	If the DCA holds Lloyd's funds it will be required to confirm whether or not and, if so, how it will keep insurer's funds segregated from its operating and non-Lloyd's funds	DCA not able or willing to hold Lloyd's funds separately from other funds
3.4	Lloyd's will expect DCA to have payment process in place that will enable it to pay agreed claims to policyholders without delay. If the DCA is to hold loss funds it should have a process in place that will support its ability to report at contract level on any loss funds held, identify potential shortfalls and request additional funds, and return excess funds.	If the DCA holds Lloyd's funds it will be required to explain how it will manage these loss funds	If the MA intends to provide loss funds to the DCA it will be required to confirm that it is comfortable with the DCA's ability to monitor and report on loss fund movements and balance by contract, request additional funds required to pay claims promptly and return funds in excess of requirements. If no loss

**Financial resources, banking arrangements, and PI and Fidelity insurance**

Lloyd's requirement	DCA information	Risk features	MA input	
3.5	Lloyd's will expect the DCA to have documented adequate controls around the payment of funds on Lloyd's behalf and the deduction from Lloyd's funds of fees, including appropriate seniority of staff and a second pair of eyes.	The DCA will be asked to explain the controls in place around the payment of Lloyd's funds and the removal of fees	Payment authorisation is a single person Levels of payment authority are not based on seniority	funds are to be provided, MA to explain how claim payments will be managed  MAs will be asked to confirm that it has considered the applicant's control around payments of insurers funds and is satisfied that these will adequately protect the funds from improper payments.
3.6	The DCA provides clear information about all fees that will be charged to Managing Agents, including banking and other payment charges	DCA will be asked to explain and detail any fees charged for managing loss funds or making payments, provide fee schedule and explain how they are charged	DCA is not able to provide fee schedule of any fees charged to make payments (eg bank charges)	MA will be asked to confirm that it has reviewed and is satisfied with the fees that will be charged for banking or payment fees, including foreign exchange charges
3.7	A DCA is required to have in place professional indemnity, cyber and fidelity cover for the activities it will be carrying out on behalf of Lloyd's at a level that is acceptable to the sponsoring MAs and meets any local requirements. The DCA will also be expected to satisfy the sponsoring MA that	The DCA will be required to provide details of professional indemnity, fidelity and cyber insurance in place, any claims made under these policies in the last 5 years and any declinations of cover [PI section]	PI/E&O, fidelity or cyber not fully in place and incepted  DCA has made claims against its policies in the last 5 years or has had cover declined.	MA will be asked to confirm that it has reviewed the applicant's PI, fidelity and cyber policy(ies) and that these provide adequate cover. MAs will also be asked to confirm that any issues leading to PI or fidelity cover being declined or claims being made

Security unclassified

Financial resources, banking arrangements, and PI and Fidelity insurance			
Lloyd's requirement	DCA information	Risk features	MA input
any issues leading to claims or declinations of cover have been addressed.			in the last 5 years have been addressed.

Resources, systems and controls				
	Lloyd's requirement	DCA information	Risk features	MA input
4.1	DCA staff have appropriate experience and skills (including language skills), and training is suitable and in line with the types of claims under management	The DCA will be asked to describe the claims handling background, average number of years experience, and language skills (where relevant) of its claims handlers, and training requirements	Staff have less than 2 years claims experience, on average  There are no training requirements in place	MA will be asked to explain why it is comfortable that the applicant has appropriate experience and expertise to handle claims for the applicable class of business and customer types and that it is satisfied with ongoing training requirements

Resources, systems and controls				
	Lloyd's requirement	DCA information	Risk features	MA input
			<p>The average number of open claims handled by each adjuster is either unknown or over 100</p> <p>Claims settlement decisions are made by non-employees</p>	
4.2	Adequate resources taking volume of staff and anticipated claim volumes. The DCA should also have the ability to monitor and manage case loads per claims handler .	DCA to confirm average volume of open claims, average case loads for claims handlers, percentage annual turnover of staff, and workload controls	The DCA is not able to provide a workload report (number of open claims per claims handler)	MA will be required to confirm that it considers that the DCA's resources are adequate taking into account the volume of claims it is anticipated to handle and that the DCA has the capability of monitoring and managing caseloads
4.3	Documented processes and procedures are clear, up to date and articulating controls in the following areas: diary management, referral of claim in excess of internal and external authority levels, denials, identification recording and responding to complaints, reserving, recoveries and subrogation, litigation management, regular peer review,	The DCA will be required to provide documented claims handling procedures that cover specified areas	DCA indicates that it does not have documented process for any of the specified areas	MA will be asked to confirm that it has reviewed the documented claims processes and procedures and that they covers areas specified.

Resources, systems and controls				
	Lloyd's requirement	DCA information	Risk features	MA input
	reporting to MAs, payment and loss fund management			
4.4	Adequate systems, procedures and controls to deliver proactive claims handling including requirement for all claims to have next steps, targets and reports and policyholders to be regularly updated.	DCAs will be asked to explain how they manage diary functionality, service targets and internal reporting capability to demonstrate the capability of providing a proactive and timely claims handling service	<p>DCA does not have system driven diary in respect of any of its services</p> <p>DCA does not have a requirement for every claim to have a record of next date when next step should be taken</p> <p>DCA does not produce internal reports around timeliness of service</p> <p>DCA has no internal targets for any of the services it provides</p> <p>DCA not able to identify tools/controls to support recovery or subrogation activities</p>	MAs will be asked to explain how they have satisfied themselves that a proactive claims handling service will be provided.

<b>Resources, systems and controls</b>				
	<b>Lloyd's requirement</b>	<b>DCA information</b>	<b>Risk features</b>	<b>MA input</b>
<b>4.5</b>	DCAs are expected to have controls around denials, for example escalation to a more senior claims handler	For DCAs that will accept authority to deny claims they will be asked to explain the controls around denials	DCA does not require a second pair of eyes to review a claim before it is denied (where DCA has denial authority)	See 4.10
<b>4.6</b>	Where DCAs will be procuring services from third parties it will be required to evidence adequate procurement processes and procedures including documented selection procedures, service level agreements, fee management and performance monitoring and managing.	The DCA will be required to detail its approach to selecting managing services from adjusters and lawyers	DCA does not pre-determine fees, time frames, reporting frequency or invoicing guidelines before appointing third party experts	MAs will be asked to confirm that adequate controls are in place around the use of lawyers and adjusters.
<b>4.7</b>	<p>There is a regular quality assurance programme in place, which operates on at least a quarterly basis and involves an adequate representative sample, including complaints and denials.</p> <p>The quality assurance programme monitors: compliance with insurer authority limits, coverage and quantum decisions, reserving, policyholder communication, denials, complaints, subrogation and salvage (as applicable). Results of the review are reported to MAs.</p>	The DCA will be required to provide details of its internal file review process, specifying areas covered, sample selection criteria, sample size and frequency	<p>There is no regular internal quality review of claim files</p> <p>Specified areas are not all covered in an internal quality review of claim files</p> <p>Sample size is less than 5% per annum</p> <p>Sample files reviewed do not include denials and complaints</p>	The MA will be required to confirm that the DCA has an internal quality file review process in place and that it meets Lloyd's expectation

Resources, systems and controls				
	Lloyd's requirement	DCA information	Risk features	MA input
4.8	DCA has systems or processes to identify claims outside underwriters' authority	DCA will be asked to explain how claims are identified that are outside authority from underwriters		MAs will be asked to confirm that the DCA has adequate controls to identify claims outside underwriters' authority in order that these can be referred as required.
4.9	The DCA has the capability of responding promptly to claims notifications and can provide support during the claims process that is appropriate for product type and consumer risk, including where appropriate out of hours contact details and support for vulnerable customers	DCAs that will be receiving claims notification and providing assistance directly to policyholders will be asked to demonstrate that they have the capability of receiving and responding promptly to claim notifications and providing support during the claims process, including for vulnerable customers	<p>DCA does not provide emergency out of hours contact number for policyholders</p> <p>DCA does not have any controls around telephone calls with policyholders</p> <p>Staff not trained to handle vulnerable customers</p> <p>No tools or adjuster services to support vulnerable customers</p>	The MA will be required to confirm that it has checked that the DCA has the capability of receiving and responding promptly to claims notifications, and supporting the policyholder during the claims process, taking into account the needs of the policyholders
4.10	DCA should be able to demonstrate that they proactively monitor and manage customer outcomes, for example by monitoring and managing service provided, analysing cause of complaints, obtaining customer feedback, monitoring	DCAs will be asked to provide information around how they monitor and manage customer outcomes and address issues identified	DCA does not monitor any customer outcome indicators with internal reporting	MAs will be asked if they are satisfied with controls around customer outcomes that any staff incentives are appropriate, and to summarise due

<b>Resources, systems and controls</b>				
	<b>Lloyd's requirement</b>	<b>DCA information</b>	<b>Risk features</b>	<b>MA input</b>
	call centre staff performance and addressing issues identified.		DCA does not have the capability of obtaining customer feedback	diligence around any call centre operations
<b>4.11</b>	Where there is a reasonable likelihood of an event suddenly increasing claims volumes, the DCA should have in place a documented and tested surge plan. The plan should include monitoring potential exposure, the trigger and responsibility for the plan, resourcing and reporting.	DCA will be asked to provide details of its plan, if any, to respond to an event which results in an unforeseen and sudden increase in claims volumes. This should include documented plan and recent test results.	<p>No measures in place to cater for surge event</p> <p>No documented surge plan</p> <p>No testing of surge plan</p> <p>Unable to send result of surge plan test</p> <p>Surge plan involves outsourcing to third party</p>	MA will be required to confirm that the DCA has considered the likelihood of an event causing a sudden increase in the volume of claims to be handled and that it is comfortable with the DCA's plan to respond to any such event so that there will be no or limited adverse effect on service to policyholders
<b>4.12</b>	DCA has read and understood the Lloyd's and relevant regulatory complaints framework and has compliant documented procedures that have been provided to all staff playing a role in complaints handling	DCA will be asked to confirm that it has read and understood and Lloyd's and relevant regulatory complaints framework and has compliant document procedures in place that have been provided to all staff that play a role in complaints handling. Complaints procedure should be provided		See 4.15
<b>4.13</b>	Systems provide adequate data quality and security, including where staff work	DCA will be asked to provide details of the systems used to manage data and	No arrangements to back up data on a regular basis	MA will be asked to summarise due diligence performed on the DCAs systems (including any

Resources, systems and controls				
	Lloyd's requirement	DCA information	Risk features	MA input
	away from the office, and do not adversely affect customer service	claims handling, including any claims portal, and confirm it is GDPR compliant	<p>Systems are not: protected by firewall or similar; updated regularly; restricted by user ID; protected by passwords changed regularly; and auditable</p> <p>No ability to turn portal off</p> <p>Portal has encountered problems that resulted in downtime for more than half a day</p>	claims portal used) and confirm that it has satisfied itself that they are suitable to manage the claims to be handled and that there are adequate controls around quality and security of data. The MA will be required to confirm either that it is satisfied that the DCA is GDPR compliant or it is not required to be
4.14	DCAs will be required to have the capability of capturing and reporting data that meets Lloyd's Coverholder Reporting Standards.	DCA will be required to confirm that it can capture and report data compliant with Lloyd's Coverholder Reporting Standards and provide a template report to evidence this.	Not able to capture and report claims data compliant with Lloyd's Coverholder Reporting Standards	MA will be asked to confirm that it has checked a reporting template and that it complies with the Coverholder Reporting Standards, and if not that there are plans in place to address gaps
4.15	Adequate systems, procedures, protocols and controls are in place for:	DCA will be required provide documented compliance procedures, confirm that	Has not confirmed understanding of Lloyd's and	MAs will be asked to confirm that they have received and reviewed documented

Resources, systems and controls				
	Lloyd's requirement	DCA information	Risk features	MA input
	<ul style="list-style-type: none"> <li>• Conflicts of interest</li> <li>• Complaints</li> <li>• Business continuity</li> <li>• Financial crime including Anit-money Laundering</li> <li>• Succession planning</li> <li>• Whistleblowing</li> <li>• Data Privacy</li> <li>• IT Security</li> <li>• Outsourcing</li> </ul> <p>Where there are gaps against Lloyd's expectations, there is an adequate explanation as to how this will be addressed. Any actual conflicts of interest are adequately managed</p>	each one meets Lloyd's regulatory requirements and cover specified points.	relevant regulatory complaints framework	compliance procedures for each required area and that it meets specified requirements
<b>4.16</b>	Staff undergo compliance including financial crime training and receive information on Lloyd's and Managing Agents' requirements. Adequate controls are in place to ensure staff are aware of regulatory, Lloyd's and	DCA will also be required to identify compliance training provided, and the method for communicating Lloyd's requirements and compliance information	No training for financial crime	MA will be required to confirm that it is satisfied with the training and development for staff including where staff are working away from the office

Resources, systems and controls				
	Lloyd's requirement	DCA information	Risk features	MA input
	managing agent requirements, including where staff work outside the office.	to staff, and controls around staff working away from the office		