

# INSURANCE CERTIFICATES BYELAW

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(No. 1 of 2006)

(Made on 15 February 2006)

## Notes

This byelaw regulates –

- (i) the issue by Lloyd's of insurance certificates and their use by insurance brokers, coverholders and their clients; and
- (ii) the settlement of claims abroad by Lloyd's claims settling agents (whether or not the claims are made under insurance certificates).

The byelaw specifies conditions (including liability to indemnify the Society and the underwriting members concerned) upon which Lloyd's brokers and coverholders may request the issue of insurance certificates by the Society and the settlement of claims abroad.

The byelaw applies to all relevant contracts entered into on or after 15 February 2006 and revokes the Marine Insurance Certificates Byelaw (No. 3 of 2002) except as regards the covers placed at Lloyd's during the period beginning on 1 October 2002 and ending on 14 February 2006.

Words and terms shown in italics have the meanings given in the Definitions Byelaw (No. 7 of 2005).

These notes are not part of the byelaw.

The Council of Lloyd's in exercise of its powers under section 6(2) of, and paragraphs (4), (19), (41), and (42) of Schedule 2 to, Lloyd's Act 1982 by special resolution hereby makes the following byelaw.

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## Part A – Interpretation

### 1. Interpretation

In this byelaw, except where the context otherwise requires –

“Controller of Agencies” means the person for the time being appointed by the *Council* by that name;

“relevant contract” means –

- (a) a contract of insurance underwritten by underwriting members; or
- (b) a contract for insurances underwritten by underwriting members; or
- (c) a *binding authority* to underwrite contracts of insurance or contracts for insurances on behalf of underwriting members;

“insurance certificate” means a paper or electronic document in a form approved by the *Council* –

- (a) which is issued on behalf of the *Society* to or for the use of the *Lloyd’s broker*, *non-Lloyd’s broker*, shipping agent, forwarding agent, merchant, *coverholder*, assured or other *person* specified by the *Society* in that document (the “certificate user”) as entitled to declare insurances by means of or under a *relevant contract*; and
- (b) by which the *Society* certifies, subject to signature or counter-signature by a *certificate user* or *certificate users* specified by the *Society* in the document, that the *certificate user* is entitled to declare insurances by means of or under *the relevant contract*; and
- (c) which is intended for use as evidence of the acceptance of insurance risks on behalf of underwriting members.

## Part B – Insurance certificates

### 2. Issue of certificates by Society

- (1) Where the terms of a *relevant contract* have been deposited with the *Society* by a *Lloyd's broker, non-Lloyd's broker or coverholder* or the duly authorised agent of any such person, the *Society* shall, on application by or on behalf of a proposed *certificate* user for the issue of insurance certificates, have the authority of each subscribing underwriting member to sign and issue *insurance certificates* in accordance with the terms of the *relevant contract* –
  - (a) without further reference to the *managing agent* of the underwriting member; and
  - (b) without being obliged to investigate further than the terms of the *relevant contract* deposited with the *Society* the circumstances, validity or existence of the *relevant contract* pursuant to which the *insurance certificates* are to be issued.
- (2) The *Society* may on application by a *Lloyd's broker* issue insurance certificates to that *Lloyd's broker* in anticipation of the grant of authority by underwriting members to that *Lloyd's broker* to declare insurances on their behalf notwithstanding that no such authority may yet have been granted.

### 3. Electronic certificates

- (1) The *Society* may-
  - (a) itself maintain, or procure the maintenance on its behalf by service providers, of one or more websites for the purpose of issuing *insurance certificates*; or
  - (b) issue *insurance certificates* through a website maintained by, or on behalf of, a *Lloyd's broker*.
- (2) The *Society* may enter into such contracts and arrangements (including the giving of indemnities and warranties by the *Society* and the limitation of liability on the part of any *person*) with service providers, *Lloyd's brokers* or *non-Lloyd's brokers* or other *persons* as are necessary or expedient for the purposes of or in connection with the maintenance or use of any website or the provision of electronic certificates.

### 4. Reproduction of insurance certificates

No *person* shall reproduce or make any unauthorised alteration to any *insurance certificate* without the consent of the *Society*.

5. Issue of insurance policies

Where an *insurance certificate* has been issued under paragraph 2 and has been signed in accordance with its terms by the *certificate user* specified in the certificate the *Society* –

- (a) shall have authority on behalf of each underwriting member subscribing the *relevant contract* concerned, without further reference to the *managing agent* of that member, to sign and issue, or cause to be issued, to the bearer of the *insurance certificate*, or to any agent thereof, an insurance policy on the terms set out in the *insurance certificate*; and
- (b) shall, if the bearer or his agent so requests, issue, or cause to be issued, such an insurance policy.

6. Obligations of Lloyd's brokers and coverholders

(1) A *Lloyd's broker* or a *coverholder* to which an *insurance certificate* is issued under paragraph 2 shall neither –

- (a) itself issue that *insurance certificate* to any other *person*; nor
- (b) permit any other *person* to do so; nor
- (c) permit electronic access to, downloading or printing of that *insurance certificate* by any other *person*,

unless –

- (aa) the contract of insurance or contract for insurances certified therein to have been effected has been effected with the underwriting members concerned; and
- (bb) the *insurance certificate* has been completed by the *Society*, the *Lloyd's broker* or the *coverholder* in accordance with its terms.

(2) A *Lloyd's broker* or a *coverholder* to which *insurance certificates* have been issued under paragraph 2 shall -

- (a) forthwith on written demand by the *Society* –
  - (i) return, or procure the return to the *Society* of, or destroy, or procure the destruction of, such *insurance certificates* in its possession or control as the *Society* may specify; and
  - (ii) request the return to itself for that purpose, or the destruction, of any such unused *insurance certificates* in the possession or control of any *person* to whom it has given them;

- (b) forthwith on the expiry or cancellation of a *relevant contract* and without any demand –
  - (i) return, or procure the return to the *Society* of, or destroy or procure the destruction of, any *insurance certificate* in its possession or control issued by the *Society* pursuant to that *relevant contract*; and
  - (ii) request the return to itself for that purpose, or the destruction of, any such unused *insurance certificates* in the possession or control of any *person* to whom it has given them;
- (c) forthwith inform the *Society* in writing of any cancellation, variation, expiry or non-renewal of the *relevant contract* relating to any *insurance certificate* issued by the *Society* at its request; and
- (d) forthwith on written demand by the *Society* –
  - (i) return or procure the return to the *Society* for cancellation, amendment or endorsement any *insurance certificate* in its possession or control issued to it by the *Society* pursuant to a *relevant contract* which has been subsequently varied; and
  - (ii) request the return to itself for that purpose, or the destruction of, any such unused *insurance certificates* in the possession or control of any *person* to whom it has given them.
- (3) A *Lloyd's broker* or a *coverholder* shall take all reasonably practicable precautions to ensure that *insurance certificates* which have been issued to it are not stolen and are not misused or lost by it or by any other *person* to whom they have been given.
- (4) An authorised user of a website maintained under paragraph 3(a) shall not permit any other person to obtain access to or to use the website otherwise than subject to and in accordance with conditions specified by the *Society*.
- (5) A *Lloyd's broker* or a *non-Lloyd's broker* permitted by the *Society* under paragraph 3(1)(b) to issue electronic *insurance certificates* on behalf of the *Society* shall not permit any other *person* to have access to, download or transmit *insurance certificates* on the website otherwise than subject to and in accordance with conditions specified by the *Society*.
- (6) A *Lloyd's broker* or a *coverholder* to which an *insurance certificate* has been issued under paragraph 2 shall on demand by the *Society* present for signing to *LPSO*, or to such other *person* as may be specified by the *Council*, a policy or policies covering the insured risks specified in the *insurance certificate*.

- (7) A *Lloyd's broker* or a *coverholder* to which an *insurance certificate* has been issued by or on behalf of the *Society* under paragraph 2, a user of a website maintained under paragraph 3(1)(a) or a *Lloyd's broker* or *non-Lloyd's broker* using its own website to issue insurance certificates on behalf of the *Society* under paragraph 3(1)(b), shall, on written demand by the *Society*, indemnify the subscribing underwriting members and the *Society* against all claims, actions, costs, liabilities or expenses incurred or paid by the underwriting members or the *Society* arising directly or indirectly from any non-compliance of that *Lloyd's broker* or *coverholder* or website user or *non-Lloyd's broker* with any of the provisions of paragraph 4 or 6 applicable to it.
- (8) For the purposes of sub-paragraph (7) a written statement by the *Controller of Agencies*, or any deputy thereof, in any such demand that any sum stated therein has been paid or incurred shall be conclusive evidence that that sum was reasonably and properly paid or incurred in consequence of the non-compliance by that *Lloyd's broker*, *coverholder* or website user with paragraph 4 or 6, as the case may be.

## Part C – Settlement of Claims Abroad

7. Settlement of claims abroad
  - (1) The *Council* may appoint *Lloyd's claims settling agents* for the purpose of this byelaw.
  - (2) Where the terms of a *relevant contract* or of an *insurance certificate* provide expressly for the settlement of claims in accordance with the “Standing Regulations for the Settlement of Claims Abroad”, or otherwise provide for the settlement of claims abroad, the Schedule to this byelaw (Standing Regulations for the Settlement of Claims Abroad) shall apply in relation to any claim presented for settlement abroad under that *relevant contract* or *insurance certificate*.
  - (3) Where the terms of a *relevant contract* provide for the settlement of claims in accordance with the “Standing Regulations for the Settlement of Claims Abroad”, or otherwise provide for the settlement of claims abroad, without also providing for the issue of *insurance certificates* –
    - (a) the *managing agent* of the subscribing members shall, before subscribing the *relevant contract* on their behalf, consult the Lloyd's Agency Department as to the procedure to be adopted by *Lloyd's claims settling agents* in relation to that *relevant contract*, including the form of evidence of insurance that is to be notified to *Lloyd's claims settling agents* as specified by the *relevant contract* for the purpose of paragraph 3(d) of the Schedule;
    - (b) the *Lloyd's broker* or *coverholder* concerned shall forthwith after the *relevant contract* is fully subscribed deposit with the Lloyd's Agency Department a copy of the terms of the *relevant contract* and shall thereafter notify the Lloyd's Agency Department in writing forthwith of any variation, cancellation, expiry, renewal or non-renewal of the *relevant contract*;
    - (c) the *Lloyd's broker* or *coverholder* concerned shall on demand by the *Society* present for signing to *LPSO*, or to such other *person* as may be specified by the *Council*, a policy or policies covering the insured risks which are the subject of any claim made under the *relevant contract*.
  - (4) Where the terms of a *relevant contract* provide for the settlement of claims in accordance with “Standing Regulations for the Settlement of Claims Abroad”, or otherwise provide for the settlement of claims abroad, the *Lloyd's broker* or *coverholder* concerned shall, on written demand by the *Society*, indemnify the subscribing underwriting members and the *Society* against all claims, actions, costs, liabilities or expenses incurred or paid by the subscribing underwriting members or the *Society* arising directly or indirectly from any non-compliance of that *Lloyd's broker* or

*coverholder* with any of the provisions applicable to it of this paragraph 7 or of the Schedule to this byelaw or of any regulations or rules made or conditions imposed or requirements or procedures prescribed under paragraph 8 of this byelaw for the settlement of claims abroad by *Lloyd's claims settling agents*.

- (5) For the purpose of sub-paragraph (4), a written statement by the *Controller of Agencies*, or any deputy thereof, in any such demand that any sum stated therein has been paid or incurred shall be conclusive evidence that the sum was reasonably and properly paid in consequence of the non-compliance by that *Lloyd's broker* or *coverholder* with such one or more of the provisions mentioned in sub-paragraph (4) as are referred to in that statement.
- (6) Where the terms of a *relevant contract* or of an *insurance certificate* provide expressly for the settlement of claims in accordance with the "Standing Regulations for the Settlement of Claims Abroad" no *managing agent* or any delegate thereof shall instruct a *Lloyd's claims settling agent* to adjust, settle or pay claims abroad otherwise than in accordance with procedures prescribed by the *Controller of Agencies* for that purpose.

## Part D – Miscellaneous Provisions

### 8. Regulations, rules, conditions and requirements

The *Council* may make regulations and rules, and impose conditions and prescribe requirements–

- (a) prescribing classes of insurance business in relation to which *insurance certificates* may be issued;
- (b) prescribing the form and content of *insurance certificates*;
- (c) prescribing the manner of application for the issue of *insurance certificates*;
- (d) imposing conditions and prescribing procedures for the adjustment, settlement and payment of claims abroad by *Lloyd's claims settling agents*;
- (e) requiring indemnities to be given by any *person* for the benefit of the *Society* or of any *person* issuing *insurance certificates* on behalf of the *Society*; and
- (f) generally, for the issue and use of *insurance certificates* or for the adjustment, settlement and payment of claims abroad by *Lloyd's claims settling agents*.

### 9. Indemnity by underwriting members

- (1) The underwriting members subscribing any *relevant contract* shall on written demand by the *Society* indemnify the *Society* (each pro rata to his subscription) against all claims, actions, costs, liabilities or expenses arising directly or indirectly from -
  - (a) the signing or issue of any *insurance certificate* by or on behalf of the *Society* under paragraph 2;
  - (b) the use of any website maintained under paragraph 3;
  - (c) the issue of any insurance policy under paragraph 5 or 7;
  - (d) the adjustment, settlement or payment by a *Lloyd's claims settling agent* of any claim abroad, or the giving or arrangement of any guarantee or security under the Schedule,in relation to that *relevant contract*.
- (2) A written statement by the *Controller of Agencies*, or any deputy thereof, in any such demand that any sum stated therein has been paid or incurred shall be conclusive evidence that that sum was reasonably and properly paid or incurred in consequence of such one or more of the matters mentioned in sub-paragraph (1) as are specified in the statement.

10. Fees

- (1) An underwriting member, a *Lloyd's broker* or a *coverholder* shall pay such fees as the *Council* may require -
  - (a) to the *Society* in relation to the issue or use of *insurance certificates* or the performance of other functions under this byelaw; or
  - (b) to a *Lloyd's claims settling agent* in relation to the settlement of claims abroad.
- (2) For the purpose of this paragraph the *Council* may –
  - (a) determine the amount of any fees;
  - (b) determine the time or times for the payment of any fees;
  - (c) provide for the exemption from the payment of or the return of or abatement of any fees; and
  - (d) make different provision for different cases or classes of case.

11. Payment of sums due under this byelaw

- (1) Any sum payable to the *Society* or to a *Lloyd's claims settling agent* under any of the provisions of this byelaw which is not paid on the due date for payment shall bear interest from the due date until the date of payment (as well after as before judgment) at the rate prescribed from time to time as applicable to judgment debts or such other rate as the *Council* may from time to time prescribe.
- (2) Any sum payable to the *Society* or to a *Lloyd's claims settling agent* under any of the provisions of this byelaw (including any interest payable under sub-paragraph (1)) –
  - (a) shall be paid free and clear from any set-off, counterclaim or deduction on any account whatsoever; and
  - (b) shall be recoverable in any court of competent jurisdiction as a civil debt.

12. Revocation and amendment

- (1) Subject to paragraph 14 (transitional provisions) the Marine Insurance Certificates Byelaw (No. 3 of 2002) is revoked.
- (2) The Definitions Byelaw (No. 7 of 2005) is amended by substituting for the definition “Lloyd’s settling agent” the following new definition –

““Lloyd’s claims settling agent” means a person appointed as a Lloyd’s Settling Agent for the purpose of the Marine Insurance Certificates Byelaw (No. 3 of 2002), or as a

Lloyd's claims settling agent for the purpose of the Insurance Certificates Byelaw (No. 1 of 2006)".

13. Commencement and application

This byelaw shall come into force on 15 February 2006 and shall apply in relation to any *relevant contract* placed on or after that date.

14. Transitional provisions

The Marine Insurance Certificates Byelaw (No. 3 of 2002) shall continue to apply in relation to any cover (as defined in that byelaw) placed during the period beginning on 1 October 2002 and ending on 14 February 2006.

## Schedule - Paragraph 1

### Standing Regulations for the Settlement of Claims Abroad

1. Where the terms of a *relevant contract* or of an *insurance certificate* provide for the settlement of claims in accordance with the “Standing Regulations for the Settlement of Claims Abroad”, or otherwise provide for the settlement of claims abroad, the *Lloyd’s claims settling agent* specified in the *relevant contract* or the *insurance certificate* shall have authority on behalf of every underwriting member subscribing the *relevant contract* –
  - (a) to adjust and settle any claim in accordance with the terms of the insurance policy or *insurance certificate* (or, where there is no insurance policy or *insurance certificate*, such other evidence of the insurance as may be specified in the *relevant contract* and notified to the *Lloyd’s claims settling agent* by the Lloyd’s Agency Department), subject to any limitations prescribed by the *member’s managing agent* or any delegate thereof or the Lloyd’s Agency Department; and
  - (b) to pay any claim so settled in an amount not exceeding the limit stated in the *relevant contract*, insurance policy or *insurance certificate* or prescribed by the *member’s managing agent* or any delegate thereof or by the Lloyd’s Agency Department.
2. Where a claim is presented to a *Lloyd’s claims settling agent* for adjustment, settlement or payment under a *relevant contract* providing for the settlement of claims abroad the *Lloyd’s claims settling agent* shall not be obliged to investigate the circumstances, validity or existence of the *relevant contract* further than the terms of the insurance policy or *insurance certificate* or such other evidence of insurance as is specified in the *relevant contract* and notified by the Lloyd’s Agency Department to the *Lloyd’s claims settling agent*.
3. A *Lloyd’s claims settling agent* shall have no authority to adjust, settle or make payment of any claim made by any *person* other than –
  - (a) the bearer of an original insurance policy or original *insurance certificate*;
  - (b) the bearer of a duplicate original insurance policy;
  - (c) subject to the consent of the *managing agent* concerned or any delegate thereof, in the absence of an original insurance policy or a duplicate original policy or an original *insurance certificate*, a *person* who gives sufficient secondary evidence of the insurance policy or the *insurance certificate* and of his entitlement to a claim and gives a satisfactory indemnity to the subscribing *members* against claims by other *persons* under the insurance policy or *insurance certificate*; or

- (d) in a case where the terms of the relevant contract do not provide for the issue of insurance policies or *insurance certificates*, such other evidence of insurance as is specified in the *relevant contract* and notified by the Lloyd's Agency Department to the *Lloyd's claims settling agent*.
4. Where a claim for general average or salvage or particular average or other charges arises in respect of any property insured by or under relevant contract which is expressed to be subject to the "Standing Regulations for the Settlement of the Claims Abroad" or otherwise provides for the settlement of claims abroad, the *Society* shall have the authority of each underwriting member subscribing that relevant contract to give or arrange for the giving of a Lloyd's general average bond and guarantee Form Y.
5. The underwriting members subscribing the relevant contract concerned shall pay to a *Lloyd's claims settling agent* as remuneration for adjusting and settling any claim under an insurance policy or insurance certificate on which claims are to be settled abroad such fee as is for the time being prescribed by the *Controller of Agencies* under paragraph 10 of the byelaw.