

Chapter 2 Requirements made under the Intermediaries Byelaw

Section 1 Delegated Underwriting

Registers of coverholders and registered binding authorities – Part B of the Intermediaries Byelaw

Format and content of the registers - paragraph 6 of the Intermediaries Byelaw

1. The registers of *approved coverholders*, *restricted coverholders* and *registered binding authorities* shall be held electronically on the system the *Franchise Board* operates for that purpose.

Inspection of the registers - paragraph 7 of the Intermediaries Byelaw

2. Any person may inspect the registers of *approved coverholders* and *restricted coverholders*.
3. Any *approved coverholder*, *managing agent* and any *Lloyd's broker* which is a party to a *registered binding authority* or any *Lloyd's broker* which arranged or broked that *registered binding authority* may inspect the part of the register of *registered binding authorities* which relates to that *registered binding authority*.

**Approved Coverholders - Part C
of the Intermediaries Byelaw**

Applications for approval - paragraphs 8 and 9 of the of the Intermediaries Byelaw

4. An *applicant* shall apply to the *Franchise Board* for its name to be entered in the *register of approved coverholders* by completing the relevant parts of the appropriate form of application.
5. Any *applicant*, which is not a *Lloyd's broker*, must be sponsored by a *Lloyd's broker* or a *managing agent* ("*the sponsor*"). *The sponsor* shall complete the relevant part of the appropriate form of application.

Approval – paragraph 13 of the of the Intermediaries Byelaw

6. In deciding whether an *applicant* is suitable to be an *approved coverholder* the *Franchise Board* shall have regard to the following criteria and all other relevant matters –
 - (a) whether the *applicant* is a competent, proficient and capable organisation and in considering that the *Franchise Board* may have regard to the following matters –
 - (i) the *applicant's* compliance with appropriate principles of good corporate governance;
 - (ii) the *applicant's* membership of any body or organisation that the *Franchise Board* considers to be necessary or desirable;
 - (iii) the quality and adequacy of the *applicant's* human resources including –
 - (i) the competence, reputation, character and suitability of the *applicant's* directors, officers and staff; and
 - (ii) the knowledge and experience of the *applicant's* directors, officers and staff of the conduct and regulation of insurance business in the Lloyd's insurance market and in any other relevant jurisdiction;
 - (iv) the quality and adequacy of the *applicant's* other resources including the quality and adequacy of the *applicant's* –

- (i) systems, procedures, protocols and arrangements for the conduct of its business;
 - (ii) resources to comply with appropriate service standards for its customers;
 - (iii) resources to comply with such principles and standards for the conduct or administration of insurance business in the Lloyd's insurance market as the *Franchise Board* may from time to time prescribe, recognise or endorse; and
 - (vi) resources and systems for *underwriting* administration and for the administration and agreement of claims;
- (v) the quality and adequacy of the *applicant's* controls and procedures to manage its business including –
- (i) the *applicant's* arrangements for identifying, resolving or managing conflicts of interest; and
 - (ii) the quality and adequacy of the *applicant's* controls and procedures for the management of *underwriting* risk and for the management of the administration and agreement of claims;
- (vi) the nature of the *applicant's* business including its past, present and forecast *underwriting* performance;
- (b) whether the *applicant* is of appropriate reputation and standing;
 - (c) whether any person who *controls* the *applicant* or who is connected or associated with the *applicant* is of appropriate reputation and standing;
 - (d) whether the *applicant* has adequate capital and financial resources;
 - (e) whether the *applicant* has adequate professional indemnity insurance;
 - (f) whether the *applicant* is capable and willing to comply with the terms of any undertaking given by it to the *Franchise Board*; and
 - (g) whether the *applicant* possesses all the licences, approvals or authorisations in order to act as an *approved coverholder* wherever it will conduct insurance business in that capacity.

7. A *managing agent* that intends to enter into a *binding authority* with the *applicant* must, in accordance with paragraph 15(b) of the Intermediaries Byelaw, complete the declaration attached to the application form.

Restricted Coverholders – Part D of the Intermediaries Byelaw

Applications - paragraphs 21 and 23 of the of the Intermediaries Byelaw

8. A *managing agent* shall make a request to the *Franchise Board* that a *candidate's* name be entered in the register of *restricted coverholders* by completing the form of application.
9. The criteria for eligibility to entered in the register of *restricted coverholders* are that -
 - (a) the *candidate* is either a company whose registered office is in the United Kingdom or is a partnership based in the United Kingdom;
 - (b) the *candidate* will be a party to a *binding authority* which is a *restricted binding authority*; and
 - (c) the *candidate* has permission to carry on insurance mediation in accordance with the Financial Services and Markets Act 2000 and the *Financial Services Authority's requirements* applicable to it.

Binding Authorities - Part E of the Intermediaries Byelaw

Requirements relating to binding authorities - paragraph 30 of the of the Intermediaries Byelaw

10. Every *registered* and *restricted binding authority* (other than a *restricted binding authority* that authorises a *coverholder* to enter into a contract of insurance where the contract is in respect of *motor business*) shall contain the following information, provisions and terms and comply with the following conditions and requirements –
- (a) an agreement number by which the *binding authority* can be identified;
 - (b) the name and address of each *coverholder* which is a party to the *binding authority*;
 - (c) the name and address of each *Lloyd's broker* which is a party to the *binding authority* or which arranged or broked the *binding authority*;
 - (d) the syndicate or syndicates on whose behalf each *managing agent* is delegating authority to enter into contracts of insurance (the “*syndicates*”);
 - (e) the period of the *binding authority* which shall be no greater than 18 months from the date of inception of the *binding authority* in total;
 - (f) the name of the coverholder’s director or partner who is directly responsible, on behalf of the *coverholder*, for the overall operation and control of the *binding authority*;
 - (g) the names of the coverholder’s directors, partners or employees who will have authority to enter into contracts of insurance under the *binding authority*;
 - (h) the names of the coverholder’s directors, partners or employees (if any) who will have authority to issue documents evidencing contracts of insurance under the *binding authority*;
 - (i) the name of any person who will have authority to agree claims made on contracts of insurance entered into by the *coverholder* under the *binding authority*;
 - (j) a list of the terms and conditions which must be incorporated in contracts of insurance entered into under the *binding authority* including -
 - (i) relevant wordings, exclusions and limitations;
 - (ii) the maximum period of cover;
 - (iii) the limits of liability; and
 - (iv) any applicable territorial wordings or general cover conditions as prescribed or endorsed by the *Franchise Board*;
 - (k) the maximum aggregate premium income limit in respect of all contracts of insurance that the *coverholder* may enter into under the *binding authority*;
 - (l) the maximum limits of liability in respect of contracts of insurance that the *coverholder* may enter into under the *binding authority*;

- (m) the territorial limitations on the *coverholder's* authority under the *binding authority*;
- (n) provisions requiring the *coverholder* to report in respect of all premiums, paid claims, outstanding claims and expenses in respect of contracts of insurance entered into by class or category by the *coverholder* under the *binding authority*;
- (o) provisions setting out how and when the payment and settlement of monies due from each of the parties to the *binding authority* should be made;
- (p) provisions for the cancellation and termination of the *binding authority* including provisions that enable the *binding authority* to be terminated upon the *Franchise Board* giving such direction or order to the *managing agent* or *coverholder*;
- (q) provisions relating to the ongoing obligations of the *coverholder* in the event that the *binding authority* expires or is terminated or cancelled for any reason; and
- (r) provisions setting out the jurisdiction and governing law for the settlement of disputes arising from the *binding authority*.

10A. Every *restricted binding authority* that authorises a *coverholder* to enter into a contract of insurance where the contract is in respect of *motor business* shall contain the following information, provisions and terms and comply with the following conditions and requirements –

- (a) an agreement number or other method of identification by which the *binding authority* can be identified;
- (b) the name and address of each *coverholder* which is a party to the *binding authority*;
- (c) the syndicate or syndicates (either by syndicate number or by any trading name by which the syndicate is known) on whose behalf each *managing agent* is delegating authority to enter into contracts of insurance (the “*syndicates*”);
- (d) provisions that require the *coverholder* to enter into contracts of insurance in a form, and containing such terms and conditions, as prescribed or provided by the *managing agent*.
- (e) provisions requiring the *coverholder* to report in respect of all premiums, paid claims, outstanding claims and expenses in respect of contracts of insurance entered into by class or category by the *coverholder* under the *binding authority*;
- (f) provisions setting out how and when the payment and settlement of monies due from each of the parties to the *binding authority* should be made;
- (g) provisions for the cancellation and termination of the *binding authority* including provisions that enable the *binding authority* to be terminated by the *managing agent* for any reason or to enable the *binding authority* to be terminated upon the *Franchise Board* giving such direction or order to the *managing agent* or *coverholder*;

- (h) provisions relating to the ongoing obligations of the *coverholder* in the event that the *binding authority* expires or is terminated or cancelled for any reason; and
 - (i) provisions setting out the jurisdiction and governing law for the settlement of disputes arising from the *binding authority*.
11. Every *registered binding authority* shall, in addition to the matters referred to at paragraph 10, contain the following information, provisions and terms and comply with the following conditions and requirements –
- (a) a precise description of the nature or classification of the contracts of insurance that the *approved coverholder* will be authorised to enter into under the *registered binding authority* and any relevant exclusions and limitations;
 - (b) the manner or basis for the calculation of premiums, discounts, commissions, brokerages, fees, charges and expenses.
12. Every *restricted binding authority* shall, in addition to the matters referred to at paragraph 10, contain the following information, provisions and terms and comply with the following conditions and requirements –
- (a) provisions to require the *restricted coverholder* to produce to the *Franchise Board* any information, documents, books, records and other materials which, in the opinion of the *Franchise Board* relate or purport to relate to the operation of the *restricted binding authority* and to give to the *Franchise Board* or its agent or general representative all reasonable facilities in its premises for the purpose of examining such materials.

Requirements relating to line slips - paragraph 30 of the of the Intermediaries Byelaw

- 12A. Every *line slip* shall contain the following information, provisions and terms and comply with the following conditions and requirements –
- (a) a reference number or other method of identification by which the *line slip* can be identified;
 - (b) the name and address of the *Lloyd's broker* responsible for placing or administering the *line slip*;
 - (c) the syndicate or syndicates on whose behalf each *managing agent* is delegating authority to enter into contracts of insurance (the “*syndicates*”) and (if any) the authorised insurance companies that are delegating authority to enter into contracts of insurance;
 - (d) the *managing agent* or authorised insurance company that is authorised to enter into contracts of insurance under the *line slip* (the “*slip leader*”);

- (e) the period of the *line slip* which shall be no greater than 18 months from the date of inception of the *line slip* in total;
- (f) the maximum aggregate premium income limit in respect of all contracts of insurance that the *slip leader* may enter into under the *line slip*;
- (g) the maximum limits of liability in respect of contracts of insurance that the *slip leader* may enter into under the *line slip*;
- (h) the territorial limitations on the *slip leader's* authority under the *line slip*;
- (i) provisions to ensure that each of the parties to the *line slip* receive information relating to the operation of the *line slip* including, in respect of each contract of insurance entered into under the *line slip*, details of the name of the insured, the sum insured, the premium charged and the period of the contract of insurance;
- (j) provisions setting out how and when the payment and settlement of monies due from each of the parties to the *line slip* should be made;
- (k) provisions for the amendment, cancellation and termination of the *line slip* by the parties to the *line slip*;
- (l) provisions setting out the jurisdiction and governing law for the settlement of disputes arising from the *line slip*;
- (m) a precise description of the nature or classification of the contracts of insurance that the *slip leader* will be authorised to enter into under the *line slip* and any relevant exclusions and limitations;
- (n) the manner or basis for the calculation of premiums, discounts, commissions, brokerages, fees, charges and expenses.

Registration of registered binding authorities - paragraphs 32 and 33 of the of the Intermediaries Byelaw

13. A *binding authority* may only be registered by –
- (a) a *Lloyd's broker* which is a party to the *binding authority* or which arranged or broked the *binding authority*; or
 - (b) a *managing agent* which is a party to the *binding authority*.
14. Registration of a *binding authority* shall be in accordance with the electronic system the *Franchise Board* operates for that purpose. The address of that web-site is <https://www.coverholders.lloyds.com>

Requirements for insurance documentation – Part F
of the Intermediaries Byelaw

Paragraph 35 of the Intermediaries Byelaw

15. Insurance documentation evidencing contracts of insurance issued by an *approved coverholder* under a *registered binding authority* or by a *restricted coverholder* under a *restricted binding authority* shall include the following information, provisions and terms -
- (a) the name and address of the *coverholder*;
 - (b) all relevant terms and conditions that relate to the contract of insurance entered into by the *coverholder* including:
 - (i) relevant wordings, exclusions and limitations;
 - (ii) the maximum period of cover; and
 - (iii) the limits of liability.
 - (c) the amount of the premium and any other information relating to the cost of the contract of insurance that is required by applicable laws or requirements to be disclosed;
 - (d) information about the procedures for handling claims arising under the contract of insurance and for the resolution of complaints;
 - (e) the law and jurisdiction applicable to the contract of insurance; and
 - (f) any other provisions required under the laws or requirements of the jurisdiction in which the contract was concluded, where the insured is domiciled or of any other relevant jurisdiction and any other provisions as required by the relevant representative or agent of the *Society*.
16. An *approved coverholder* under a *registered binding authority* or *restricted coverholder* under a *restricted binding authority* may only issue insurance documentation evidencing contracts of insurance in which a proportion of the risk is to be accepted by insurers other than members (a “*joint certificate*”) provided that:
- (a) each *managing agent* that is a party to the *binding authority* has agreed to the issue of *joint certificates*;
 - (b) the *joint certificate* includes all the details that are required to be included in insurance documentation evidencing contracts of insurance that are issued by an *approved coverholder* under a *registered binding authority* or by a *restricted coverholder* under a *restricted binding authority*;

- (c) the proportion or amount of risk accepted by Lloyd's underwriters is expressly stated on the *joint certificate* and is specified separately from the proportion or amount of risk accepted by other insurers;
- (d) the *joint certificate* contains the following appropriate several liability statement in accordance with market bulletin ([Binding Authorities US and non-US Combined \("joint"\) certificates issued by coverholders](#)) dated 11 March 2008; and
- (e) the issuance of *joint certificates* has been confirmed as an acceptable practice by the general representative in the country in which their issuance is required or, in the absence of such a general representative, by the *Franchise Board*,

save that nothing in this paragraph shall permit a *joint certificate* to be issued in circumstances where that would contravene any relevant territorial general cover condition or would contravene any requirements of the jurisdiction in which the *coverholder* is domiciled, or any other jurisdiction in which the *coverholder* trades, provides services or does business.

Third party administrators – Part G of the
Intermediaries Byelaw

Paragraph 36 of the Intermediaries Byelaw

17. The terms of the agreement entered into between a *managing agent* and a *third party administrator* shall contain the following information, provisions and terms and comply with the following conditions and requirements -
- (a) provisions requiring the *third party administrator* to produce to each *managing agent* that is a party to the relevant *registered binding authority* or the *restricted binding authority* any information, documents, books, records and other materials which, in the opinion of the *managing agent* relate or purport to relate to the operation of the *binding authority* and to give to the *managing agent* all reasonable facilities in its premises for the purpose of examining such materials;
 - (b) provisions requiring the *third party administrator* to produce to the *Franchise Board* any information, documents, books, records and other materials which, in the opinion of the *Franchise Board* relate or purport to relate to the operation of the *registered binding authority* or the *restricted binding authority* and to give to the *Franchise Board* or its agent or general representative all reasonable facilities in its premises for the purpose of examining such materials;
 - (c) provisions requiring the *third party administrator* to notify each *managing agent* that is a party to the relevant *registered binding authority* or the *restricted binding authority* of any complaint or of any actual, pending or potential litigation.
 - (d) the terms of the agreement shall not conflict with the terms of the relevant *registered binding authority* or the *restricted binding authority* to which it relates.

Section 2 Brokers

Registration – Part I of the Intermediaries Byelaw (and paragraph 27 of the Underwriting Byelaw)

Paragraph 46 of the Intermediaries Byelaw and Paragraph 27 (i) (i) of the Underwriting Byelaw.

18. The criteria to be applied in respect of a *person* established in a member state of the European Union are that it –
- (a) is registered with a competent authority for the purposes of the European Parliament and Council Directive of 9 December 2002 on insurance mediation (No.2002/92/EC)(the “Directive”);
 - (b) is able and willing to enter into an agreement with each *managing agent* with whom it intends to place business recording the general terms and conditions on which business will be conducted between them;
 - (c) has adequate, suitable and compatible systems, protocols and arrangements for the conduct of business in the London insurance market;
 - (d) has suitable procedures in place to ensure that insurance monies (money relating to premiums, return premiums and claims) are properly safeguarded;
 - (e) has adequate professional indemnity insurance; and
 - (f) can demonstrate its ability to comply with any other criteria that the *Franchise Board* may from time to time prescribe,

and regard shall be had to any guidance the *Franchise Board* may issue in respect of the application of the above criteria. (See Section 3 of the “*Guide for Applicants*” at http://www.lloyds.com/Lloyds_Market/Market_participants/Brokers/Broker_Registration.htm)

19. The criteria to be applied in respect of a *person* not established in a member state of the European Union are that it –
- (a) either –
 - (i) is registered or approved by a regulator or other statutory body that requires the intermediary or broker to meet professional requirements in relation to its competence, good repute and financial capacity equivalent to those provided for in the Directive; or
 - (ii) can demonstrate that it meets professional requirements in relation to its competence, good repute and financial capacity equivalent to those provided for in the Directive;

- (b) satisfies the criteria at paragraph 18(b) to (f) above; and
- (c) can demonstrate that it is capable and suitable to transact business having regard to such following criteria and any other relevant matter –
 - (i) whether the *person* possesses appropriate knowledge and ability to conduct *insurance business* in the London insurance market;
 - (ii) whether the *person* and its directors employees and controllers or partners in it are of good repute;
 - (iii) the adequacy of the capital and financial resources of the *person*;
 - (iv) whether the *person* complies with all laws, rules and fiscal requirements applicable to it as an insurance intermediary wherever it is established and wherever it conducts or will conduct business.

Requirements made under paragraph 46 of the Intermediaries Byelaw (registration of Lloyd's brokers)

20. In determining whether an applicant should be registered as a *Lloyd's broker* the *Franchise Board* shall have regard to the criteria at paragraphs 18 to 19 above of these requirements save that the *Franchise Board* may, where it considers it appropriate, disapply, amend or add to these criteria as it considers appropriate.