COVERHOLDER TOOLKIT CONTENTS

The contents of the coverholder toolkit are summarised below, with links to the relevant section of the Toolkit.

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   • Aims of the toolkit
   • Intended audience
   • Structure
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   • What is a coverholder?
   • What is a binding authority?
   • How do coverholders fit at Lloyd’s?
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• Who can use MOCHA?
• What does it do?
• What does MOCHA look like?
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• Where can a coverholder get training on MOCHA?
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- Who can approve any changes to the coverholder information within Atlas?

15. A-Z Glossary
This chapter gives an introduction to the coverholder toolkit. It explains what it is, its development, aims, intended audience and how it is structured.

It also provides a summary of the different sections of the toolkit to provide a helpful overview of content areas.

CONTENTS

The coverholder toolkit

• What is the coverholder toolkit?
• Background and development
• Aims of the toolkit
• Intended audience
• Structure

Toolkit overview

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<td>8. Lloyd’s coverholder reporting standards</td>
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What is the coverholder toolkit?
The coverholder toolkit is a clear and simple guide to doing business with Lloyd’s. It provides high level overviews on key topics to help potential and existing coverholders understand:

• What is a Lloyd’s coverholder?
• How can I do business at Lloyd’s?
• How can I become a Lloyd’s coverholder?
• What resources are available to help me develop my business?

A variety of diagrams, worked examples, practical advice and tutorials are provided in each section to help bring the topic to life.

The toolkit helps to explain Lloyd’s existing standards and guidance rather than replace or revise existing practices.

Background and development
Lloyd’s has worked closely with market practitioners in developing the toolkit. In particular, Lloyd’s would like to thank members of the LMA’s Delegated Underwriting Committee and LIIBA’s Binders, Offslips, Lineslips and Treaty Committee for their valuable contributions.

The participation of both groups has helped scope and shape the toolkit, by directing its development and by providing valuable feedback at every stage.

Aims of the toolkit
A great deal of information is available setting out Lloyd’s expectations for coverholders. This is often held in different places and in different documents.

The toolkit aims to help coverholders make sense of it all by providing easy to understand overviews (or ‘roadmaps’) on all the key topics of relevance to being a coverholder at Lloyd’s.

Intended audience
The toolkit has been developed primarily for new and existing coverholders. However, it is also likely to be of interest to staff of Lloyd’s brokers and managing agents whether they place business with coverholders or who manage coverholder operations and businesses who are considering becoming a coverholder at Lloyd’s.

For example, it could be used in the following ways:
• A useful source of information of training for new joiners.
• Where further business or system development is being considered, the toolkit can help inform and direct development.
• For a business which is interested in becoming a coverholder, the toolkit can act as a source of information and guidance that can help speed understanding of how things work.

Structure
Each component section of the toolkit covers the following:

What is it? – explains and defines the coverholder topic being discussed in this section.

Why is it important? – discusses why this is important.

What do I need to know? – summarises and prioritises the key information relating to this section.

Practical steps necessary for implementation – highlights some key steps necessary for an organisation to take in order to implement and address this topic.

Relevant links and guidance – provides links to all associated guidance and underlying materials referred to in the section and gives a brief explanation of how each link should be used.
# Toolkit overview

Here is a brief overview of the various sections of the toolkit:

<table>
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<tr>
<th>Coverholders at Lloyd’s</th>
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<tbody>
<tr>
<td>1. Introduction</td>
<td>What is the Coverholder Toolkit, its development, aims, intended audience and how is it structured?</td>
</tr>
<tr>
<td>2. Coverholders at Lloyd’s</td>
<td>What is a coverholder and how do they work? How do they fit into Lloyd’s?</td>
</tr>
<tr>
<td>3. Lloyd’s offer to and expectations of coverholders</td>
<td>Lloyd’s is looking for high standards and professionalism from its coverholders. In return, it offers access to the brand, security and a licence network of the world’s largest specialist insurance market.</td>
</tr>
</tbody>
</table>

## How can I do business at Lloyd’s?

| 4. Binding authority agreements | Coverholders operate under contracts of delegation which set out what they can do. What do these contracts cover and how do they work? |
| 5. Certificates | Coverholders issue insurance certificates as evidence of insurance cover. What does the certificate need to look like and contain and what freedom is there for coverholders own branding? |
| 6. Premium handling | How does premium handling work at Lloyd’s? Who does what? |
| 7. Claims handling | How does claims handling work at Lloyd’s? Who does what and how do third party administrators and loss adjustors fit into the picture? |
| 8. Lloyd’s coverholder reporting standards | How does reporting work at Lloyd’s? What are the reporting standards, their benefits and how and can they be adopted? |
| 9. Coverholder systems used by Lloyd’s | A number of important Lloyd’s systems are used by coverholders when doing business with Lloyd’s, in particular, ATLAS, Mocha and Lineage. What are these systems, why do they matter and what do you need to know? |
| 10. Compliance obligations | What are the key compliance obligations on a coverholder? Some other issues to be aware of including cancellation and non-renewal, dispute resolution and operation of the binding authority contract. |
| 11. Coverholder audit | What is the reason for the audit, what are the timescales, how does it work and what is expected of coverholders? |
| 12. Understanding regulatory requirements | What is the network of Lloyd’s licences? What is crystal, who can use it and what are the benefits to a coverholder? |
| 13. Lloyd’s brand | How can coverholders use the Lloyd’s brand on certificates and corporate marketing materials? |
| 14. The application process for new and existing coverholders | What is the application process for coverholders and what is required? How can coverholders add an additional office? |
This chapter gives an introduction to what is a coverholder, how they work and how they fit into Lloyd’s.

**CONTENTS**

**Coverholders at Lloyd’s**

- What is delegated underwriting?
- What is a coverholder?
- What is a binding authority?
- How do coverholders fit at Lloyd’s?
- Who are the key parties in the placement of business as a coverholder?
- Who regulates Lloyd’s?
- What does the FSA expect of Lloyd’s?
- How does Lloyd’s meet the FSA expectations?

**Relevant links and guidance**

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Click to download other chapters

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<td>12. Understanding regulatory requirements</td>
</tr>
<tr>
<td>3. Lloyd’s offer and expectations</td>
<td>8. Lloyd’s coverholder reporting standards</td>
<td>13. Lloyd’s brand</td>
</tr>
</tbody>
</table>
What is delegated underwriting?
Delegated underwriting is the phrase commonly used at Lloyd’s to describe what happens under a binding authority. The managing agent delegates its underwriting authority within defined terms to the coverholder.

What is a coverholder?
A coverholder is a company or partnership authorised to write contracts of insurance on behalf of the managing agent in accordance with the terms of a binding authority.

A coverholder may also have authority to issue insurance documents. Insurance documents include certificates of insurance, and other documents acting as evidence of contracts of insurance.

Coverholders may be known under different titles in other countries for example, in the USA they are known as managing general agents (MGAs) whilst in some parts of Europe they can be described as underwriting agents or multi agents.

What is a binding authority?
A binding authority is an agreement under which a managing agent delegates their authority to enter into contracts of insurance to a coverholder.

The binding authority agreement will set out all of the coverholder’s responsibilities, including any authority to issue insurance documents, collect premiums and agree claims.

Global map showing number of coverholders worldwide

<table>
<thead>
<tr>
<th>Region</th>
<th>Coverholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>285</td>
</tr>
<tr>
<td>America &amp; Caribbean</td>
<td>827</td>
</tr>
<tr>
<td>USA</td>
<td>827</td>
</tr>
<tr>
<td>Bahamas</td>
<td>2</td>
</tr>
<tr>
<td>Bermuda</td>
<td>3</td>
</tr>
<tr>
<td>British Virgin Islands</td>
<td>2</td>
</tr>
<tr>
<td>Cayman Islands</td>
<td>2</td>
</tr>
<tr>
<td>Dominica</td>
<td>1</td>
</tr>
<tr>
<td>Grenada</td>
<td>1</td>
</tr>
<tr>
<td>Jamaica</td>
<td>1</td>
</tr>
<tr>
<td>Virgin Islands US</td>
<td>10</td>
</tr>
<tr>
<td>Trinidad &amp; Tobago</td>
<td>2</td>
</tr>
<tr>
<td>South America</td>
<td>6</td>
</tr>
<tr>
<td>Argentina</td>
<td>2</td>
</tr>
<tr>
<td>Chile</td>
<td>3</td>
</tr>
<tr>
<td>Ecuador</td>
<td>1</td>
</tr>
<tr>
<td>Europe</td>
<td></td>
</tr>
<tr>
<td>Republic of Ireland</td>
<td>34</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>516</td>
</tr>
<tr>
<td>Andorra</td>
<td>1</td>
</tr>
<tr>
<td>Austria</td>
<td>2</td>
</tr>
<tr>
<td>Belgium</td>
<td>11</td>
</tr>
<tr>
<td>Cyprus</td>
<td>4</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1</td>
</tr>
<tr>
<td>Denmark</td>
<td>5</td>
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<td>Finland</td>
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<td>France</td>
<td>36</td>
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<td>Germany</td>
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<tr>
<td>Gibraltar</td>
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<td>Greece</td>
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<tr>
<td>Iceland</td>
<td>1</td>
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<tr>
<td>Italy</td>
<td>98</td>
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<tr>
<td>Malta</td>
<td>5</td>
</tr>
<tr>
<td>Monaco</td>
<td>3</td>
</tr>
<tr>
<td>Netherlands</td>
<td>13</td>
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<tr>
<td>Norway</td>
<td>18</td>
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<tr>
<td>Poland</td>
<td>5</td>
</tr>
<tr>
<td>Portugal</td>
<td>1</td>
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<td>Spain</td>
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<td>Sweden</td>
<td>12</td>
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<tr>
<td>Switzerland</td>
<td>27</td>
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<tr>
<td>Africa</td>
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<tr>
<td>Mauritius</td>
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</tr>
<tr>
<td>Namibia</td>
<td>1</td>
</tr>
<tr>
<td>South Africa</td>
<td>25</td>
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<tr>
<td>Middle East</td>
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<td>Bahrain</td>
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<td>Israel</td>
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<td>United Arab Emirates</td>
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<td>Australia</td>
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<tr>
<td>New Zealand</td>
<td>17</td>
</tr>
<tr>
<td>Tahiti</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Lloyd’s
Date: Figures correct as at August 2011
How do coverholders fit at Lloyd’s?
Coverholders are a vital part of Lloyd’s distribution network, enabling Lloyd’s managing agents to operate in a region or country to compete with local insurers and access small and medium sized business efficiently. This is achieved by Lloyd’s managing agents delegating their underwriting authority and other responsibilities to the coverholder.

For an easy overview as to how Lloyd’s works see the Lloyd’s Quick Guide (link referenced in relevant links and guidance).

Some key coverholder facts:
• There are approximately 2,500 approved coverholders at Lloyd’s.
• They produce approximately 30% of Lloyd’s premium income each year.
• 85% of coverholders have been with Lloyd’s for more than 5 years.
• From a recent Lloyd’s survey some of the biggest advantages of being a coverholder for Lloyd’s has been identified as:
  • Flexibility in underwriting solutions
  • Freedom to make own underwriting decisions
  • Access to Lloyd’s brand and security rating

For the experienced coverholder, Lloyd’s managing agents will give the underwriting authority to empower them. For those coverholders who are not so experienced, Lloyd’s managing agents will work with them, so that over time they are able to be empowered further.

### Coverholder GROSS signed Premium 2010 by region

<table>
<thead>
<tr>
<th>Region</th>
<th>Coverholder 2010 Gross Signed Premium (premiums for the 2010 calendar year)</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>US and Canada</td>
<td>4,459.7</td>
<td>54.90%</td>
</tr>
<tr>
<td>UK</td>
<td>1,735.1</td>
<td>21.36%</td>
</tr>
<tr>
<td>Europe (including UK)</td>
<td>914.8</td>
<td>11.26%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>744.2</td>
<td>9.16%</td>
</tr>
<tr>
<td>Latin America</td>
<td>79.1</td>
<td>0.97%</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>190.2</td>
<td>2.34%</td>
</tr>
<tr>
<td>WORLD</td>
<td>8,123.0</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Lloyd’s
Date: Figures correct as at 2010 for the calendar year
Who are the key parties in the placement of business as a coverholder?

The table over the next few pages outlines who are the key parties in the placement of business as a coverholder and the legal position of the parties (who owes a duty to whom):

<table>
<thead>
<tr>
<th>Role</th>
<th>Who owes a duty to whom?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy holder</td>
<td>A person or company who buys or holds an insurance policy; usually, the client in whose name an insurance policy is written.</td>
</tr>
<tr>
<td></td>
<td>The policyholder is the client of the retail broker and has a duty to disclose material facts to the managing agent when an insurance contract is being negotiated, subsequently amended or renewed.</td>
</tr>
<tr>
<td>Retail broker</td>
<td>The retail broker advises the policyholder about insurance options, choice of cover and risks to be insured for the policyholder, from a range of insurers.</td>
</tr>
<tr>
<td></td>
<td>The retail broker is the agent of the policyholder and the client of the coverholder and has a duty to act in the policyholder’s best interests.</td>
</tr>
<tr>
<td>Coverholder</td>
<td>The coverholder is a company authorised by a Lloyd’s managing agent (on behalf of the Lloyd’s syndicate) to enter into contracts of insurance and/or issue insurance documentation, on behalf of the members of a syndicate.</td>
</tr>
<tr>
<td></td>
<td>A coverholder may also be authorised by the Lloyd’s managing agent for collecting premiums and handling claims. The exact nature of the coverholders authority to act for the Lloyd’s managing agent must be set out in the binding authority.</td>
</tr>
<tr>
<td></td>
<td>The coverholder acts as the agent for the managing agent, rather than as the policyholder’s agent.</td>
</tr>
<tr>
<td></td>
<td>When a coverholder, acting under the terms of a binding authority with the managing agent, enters into contracts of insurance to be underwritten by the managing agent, or issues insurance documents, they are acting as the agent for the managing agent.</td>
</tr>
<tr>
<td></td>
<td>A coverholder also acts as agent for the managing agent for collecting premiums or handling claims. The exact nature of the coverholders authority to...</td>
</tr>
</tbody>
</table>
act for the Lloyd’s managing agent is set out in the binding authority.

Lloyd’s broker

Role
The role of the Lloyd’s broker, on behalf of the coverholder is to:
- Arrange and administer the binding authorities.
- Negotiate terms and conditions of the binding authority with the managing agent.
- Sponsor new coverholders.
- Manage the day to day relationship with the coverholder.
- Arrange renewal and find new syndicates if necessary.
- Handle items which fall outside of the terms of the binding authority.
- Preparation and submission of reporting to the managing agent and to Xchanging.

Who owes a duty to whom?
A Lloyd’s broker usually acts as the agent for the coverholder and acts as the point of contact between the managing agent and the coverholder.

Xchanging

Role
A company which provides the Lloyd’s and the London market with a single processing of regulatory and tax information and cash settlement of premiums and claims.

Who owes a duty to whom?
Within Xchanging XIS (Xchanging Ins-sure Services) and XCS (Xchanging Claims Services) responsible for Lloyd’s market processing.

Managing Agent

Role
These are companies approved by Lloyd’s and authorised by the FSA to manage one or more Lloyd’s syndicates. The managing agent is responsible for managing all aspects of a Lloyd’s syndicate.

Who owes a duty to whom?
Managing agents have the authority to enter into binding authorities.

The managing agent acts on behalf of all of the capital providers of the Lloyd’s syndicate. it is the agent of the capital providers and has a duty to act in their best interests.

This includes:
- Establishing the syndicate business plan
- Establishing the syndicate’s capital
- Managing and modelling the syndicate’s risks
- Appointing underwriting and claims staff
- Setting reserves

Syndicates

Role
Capital providers at Lloyd’s are called Lloyd’s members. A Lloyd’s member can provide capital to one or more Lloyd’s syndicates. The syndicates operating within the market specialise in many areas of insurance including:
- Marine
- Aviation
- Property
- Non-Marine
- Motor
- Reinsurance

Syndicates work with Lloyd’s brokers to tailor solutions to respond to the specific needs of the client, thus offering choice, flexibility and continuing innovation. Syndicates compete against each other. Syndicates cover either all or a portion of the risk. They are staffed by underwriters, the insurance professionals on whose expertise and judgement the market depends.

Who owes a duty to whom?
Syndicates operate as independent business units within the Lloyd’s market and are managed by Lloyd’s managing agents. Syndicates are formed for one year and reformed each year, sometimes with the same and sometimes with different capital providers.

contd.
Who regulates Lloyd’s?
The Corporation of Lloyd’s is regulated in the UK by the Financial Services Authority (FSA) and subject to the FSA’s rules. The FSA also directly regulates all Lloyd’s managing agents.

What does the FSA expect of Lloyd’s?
One of the key areas the FSA expects from Lloyd’s is the oversight and control of delegated underwriting and Lloyd’s delivers this through its standards framework which is why it has the standards for delegated underwriting.

How does Lloyd’s meet the FSA expectations?
To meet the FSA requirements, Lloyd’s has established franchise standards, with which managing agents need to comply. There is a franchise standard for delegated underwriting which is summarised as follows:

- Each managing agent must have a clear strategy for writing and managing delegated underwriting business as part of its overall business plan.
- Each managing agent is expected to carry out thorough due diligence of coverholders to which it proposes to delegate authority.
- Each managing agent must have binding authorities in place with each coverholder to which it delegates authority clearly defining the conditions, scope and limits of that authority and which comply with contract certainty requirements, including the requirement to demonstrate regularly that insurance documents have been issued within required timescales.

Who owes a duty to whom?
Lloyd’s has the statutory power to supervise the Lloyd’s market and those who operate in it. In practice it does this through the franchise board, which is responsible for the day to day management of the Lloyd’s market.

Lloyd’s supervises coverholders as part of its statutory role in supervising the Lloyd’s market. This supervision is carried out through the approval process and then through Lloyd’s ongoing supervision of all approved coverholders. The department that is responsible for coverholders on a day to day basis is the Delegated Authority Team.

Members

Role
Members are the insurers and accordingly provide the capital to support syndicates’ underwriting. Members include some of the world’s major insurance groups and companies listed on the London Stock Exchange, as well as individuals and limited partnerships.

Who owes a duty to whom?
Members of Lloyd’s underwrite insurance by forming groups of members known as syndicates. Members authorise the managing agent of the syndicate to underwrite insurance risks on the behalf.

Corporation of Lloyd’s

Role
Lloyd’s is not an insurance company, it is a market where members join together as syndicates to insure and reinsure risks. Much of Lloyd’s business works by subscription, where more than one syndicate takes a share of the same risk.

The Corporation of Lloyd’s main activities include:
- Establishing and maintaining the standards that are expected of all the managing agents.
- Overseeing the performance of all the managing agents.
- Making sure all the managing agents are adequately capitalised, including the central fund.
- Obtaining and maintaining insurance and reinsurance licences for Lloyd’s throughout the world.
- Undertaking financial and regulatory reporting on behalf of the Lloyd’s market.
- Protecting and promoting the Lloyd’s brand globally.
- Maintaining the overall credit rating for the Lloyd’s market.

Who owes a duty to whom?
Lloyd’s has the statutory power to supervise the Lloyd’s market and those who operate in it. In practice it does this through the franchise board, which is responsible for the day to day management of the Lloyd’s market.
• The managing agent must proactively manage delegated underwriting contracts once incepted to ensure compliance with contract conditions.

To help managing agents understand better how they can meet the Lloyd’s franchise standard, further guidance has been provided by Lloyd’s in the ‘Code of practice – delegated underwriting’.

Although the code is aimed at managing agents, coverholders may find it useful to familiarise themselves with it.

**Relevant links and guidance**

• An overview on what a coverholder is can be found at: [http://www.lloyds.com/The-Market/I-am-a/Coverholder/Prospective-Coverholder/Tell-me-more-about-coverholders](http://www.lloyds.com/The-Market/I-am-a/Coverholder/Prospective-Coverholder/Tell-me-more-about-coverholders)


• For further information on how Lloyd’s works see the Lloyd’s Quick Guide: [http://www.lloyds.com/Lloyds/About-Lloyds/Publications/Lloyds-Quick-Guide-2011](http://www.lloyds.com/Lloyds/About-Lloyds/Publications/Lloyds-Quick-Guide-2011)
This chapter gives an introduction to what Lloyd’s offers and what Lloyd’s is looking for from coverholders.

**CONTENTS**

Lloyd’s offer to and expectations of coverholders?

- Background
- What does Lloyd’s offer coverholders?
- What expectations does Lloyd’s have of its coverholders?
- What is Lloyd’s looking for?

**Relevant links and guides**

**Appendices**

- Appendix 1 - Business continuity plan (BCP)
**Background**
Lloyd's is the world's specialist insurance and reinsurance market, bringing together an outstanding concentration of underwriting expertise and talent. It is often the first to insure emerging, unusual and complex risks.

Around 80 syndicates are underwriting insurance at Lloyd's, covering all classes of business. Together they interact with thousands of brokers daily to create insurance solutions for businesses in over 200 countries and territories around the world. Lloyd's insures the majority of FTSE 100 and Dow Jones industrial average companies.

Lloyd's enjoys strong financial security supported by excellent ratings.

**What does Lloyd's offer coverholders?**
Being a coverholder at Lloyd's gives wide ranging benefits:

**Underwriting authority appropriate to expertise**
- Coverholders are able to negotiate a level of underwriting authority appropriate to their level of expertise and ability.
- There are three levels of underwriting authority available to coverholders.
  - **Full authority** - authorised to write business and issue documentation within agreed parameters without referral to the managing agent.
  - **Pre-determined risk selection and rates** – authorised to write business and issue documentation using pre-determined rates provided by the managing agent or by reference to an internet rating system.
  - **Prior submit** – risk is referred back to the managing agent to underwrite insuring document issued by coverholder.

**Claims handling authority appropriate to expertise**
- Where a coverholder has the necessary expertise and resources in its business, it is able to negotiate a level of claims handling authority.

**Flexibility and capacity to develop bespoke insurance solutions**
- The ability to work with managing agents and Lloyd’s brokers to develop innovative tailored products relevant to client needs in the local market.
- To be able to offer insurance coverage where other insurers will not.
- To have access to an alternative market with a variety of managing agents.

**Access to Lloyd’s brand**
- World renowned global brand, with an excellent reputation in the insurance industry and synonymous with being innovative and progressive.
- Lloyd's has been trading since 1688 and is known for its long standing tradition and its unique way of doing business.
- One of the oldest and best known names in insurance.
- As a coverholder you get access to the brand.

Further details on using the Lloyd’s brand for the coverholder can be found in chapter 13 – Lloyd’s brand.

**Access to a range of insurance talent within the Lloyd’s Market**
- There are 180 Lloyd’s brokers and 55 managing agents at Lloyd’s, all of which come together to provide a market place which allows Lloyd’s to provide insurance and reinsurance solutions to clients throughout the world.
- Coverholders get access to diverse products, provided by numerous different managing agents and Lloyd’s brokers, who they can work with to develop their business, across a range of different classes of business and geographies.

**Access to other markets through Lloyd’s licences**
- Lloyd’s has 80 direct insurance licences, many of which can be used by coverholders to do business in other countries. By working with Lloyd’s, coverholders can expand their business internationally as well as operating in their own country.
Lloyd’s has an extensive global license network with authority to write direct insurance in over 75 jurisdictions and the ability to conduct reinsurance business in over 200 territories.

Source: Lloyds
Date: Correct as at August 2011

Lloyd’s financial strength and security
• Lloyd’s unique capital structure, often referred to as the chain of security, provides excellent financial security to policyholders and capital efficiency for members.
• The chain of security provides the financial strength that ultimately backs insurance policies written at Lloyd’s and the common security underpins the market’s ratings and licence network.
• There are three links in the chain of security:
  • Syndicate level assets – the premiums received from policyholders
  • Members’ funds at Lloyd’s – the capital required to be lodged with Lloyd’s in support of the business plan
  • Central assets
• The funds in the first and second links are held in trust, primarily for the benefit of policyholders whose contracts are underwritten by the relevant member. Members underwrite for their own account and are not liable for other members’ losses. The third link contains mutual assets held by the Corporation which are available, subject to Council approval, to meet any member’s insurance liabilities.
Lloyd’s financial strength ratings

- Three of the world’s leading insurance rating agencies validate Lloyd’s strengths, robust capitalisation and financial strength of the market.
- Lloyd’s currently holds A+ ratings from Fitch Ratings and Standard & Poor’s, and an A rating from A.M Best.
- The Lloyd’s financial strength ratings apply to every policy issued by every syndicate at Lloyd’s since 1993.

![Image showing ratings: A+ A A]

Standard & Poor’s A+ (Strong)  A.M. Best A (Excellent)
Fitch Ratings A+ (Strong)

Source: Lloyd’s  Date:  Ratings correct as at September 2011

The five main market intelligence products available to coverholders:

- **Compare countries** provides high level statistics across 200+ territories, on the economy, insurance market and Lloyd’s business. This tool employs regional heat maps to showcase key indicators for a quick strategic overview.
- **Country profiles** provide individual summaries for Lloyd’s top 35 markets. These profiles contain factsheets on the economy, insurance market and Lloyd’s business and licence position.
- **Market presentations** contain local insights from Lloyd’s Country Managers as well as opportunities and challenges for Lloyd’s in their markets.
- **Country roundups** provide summaries of recent industry news from Lloyd’s Country Managers. These one pagers contain snippets of insurers and reinsurers news as well as updates on distribution and local Lloyd’s events.
- **Class review** provides in depth class of business intelligence on a market. Initially, this is available for California, Texas, Florida and New Jersey.

Dedicated website for coverholders

- Coverholders have their own dedicated website within www.lloyds.com which provides information featuring:
  - Delegated authority news and coverholder related articles
  - Coverholder specific bulletins
  - Upcoming country events
  - Access to tools such as Atlas and Lineage
  - Access to resources such as model contracts of delegation

![Image showing website interface]

www.lloyds.com/coversholders
Access to model contracts of delegation

- To make life easier for coverholders, model contracts have been developed that meet the Lloyd’s requirements for a contract of delegation (see chapter 4 – binding authority agreements for further details).

Country manager network

- Lloyd’s coverholders have access to the country manager network across over 25 countries.
- The Lloyd’s country manager represents and promotes Lloyd’s in the country and has excellent local market knowledge and contacts to:
  - Facilitate meetings
  - Help on specific development initiatives
  - Run a range of Lloyd’s events in their country

Local coverholder networks

- Many country managers have coverholder networks and associations available.

Access to events

- Lloyd’s runs an events programme all around the world.
- Coverholders have access to all these events and have the opportunity to discuss areas of mutual interest and share experiences.

(See relevant links and guidance at end of this chapter for link

Country manager network

<table>
<thead>
<tr>
<th>Type</th>
<th>Market Development Scope</th>
<th>Territories</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Europe</td>
</tr>
<tr>
<td>Local underwriting with co-located syndicates (or via a Lloyd’s regulated entity); Country Manager with Market Development Role</td>
<td>Benelux, France, Germany, Ireland, Italy, Poland, Spain, Sweden, Switzerland, UK</td>
<td>China</td>
</tr>
<tr>
<td>Country Manager with Market Development Role</td>
<td>Australia Hong Kong (SAR)</td>
<td></td>
</tr>
<tr>
<td>Legal Representative for regulatory requirements</td>
<td>Cyprus, Greece, Israel, Malta</td>
<td></td>
</tr>
<tr>
<td>Legal Representative for minimum regulatory requirements</td>
<td>Austria, Denmark, Norway, Portugal</td>
<td></td>
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</tbody>
</table>
Coverholder e-newsletter
• In 2011 Lloyd’s introduced a coverholder e-newsletter which gives updates and news on key coverholder developments at Lloyd’s.

(To be added to the circulation list for the coverholder news e-mail Coverholders@lloyds.com)

Lloyd’s and London Market Introductory Test (LLMIT)
• There is comprehensive training and support available for coverholders who want a better understanding of Lloyd’s and the London market. Lloyd’s has the LLMIT test which is a stand-alone qualification which members of staff can study for and sit in most parts of the world.

(Further details on LLMIT can be accessed via the link on the relevant links and guidance page at the end of this chapter)

What expectations does Lloyd’s have of its coverholders?
When Lloyd’s assesses an application from a new coverholder the following areas are considered:
• That the coverholder is suitable and meet the Lloyd’s suitability criteria.
• Ongoing, Lloyd’s also expects each coverholder to commit and contract to the way it conducts its business by means of the coverholder undertaking, which sets out the general principles of their relationship as an approved coverholder of Lloyd’s.

Why does Lloyd’s approve coverholders?
All Lloyd’s coverholders require Lloyd’s approval, including Lloyd’s brokers who act as Lloyd’s coverholders. Lloyd’s approval will typically initially permit a coverholder to accept risks and issue documentation on behalf of the managing agent only in the coverholders own territory.

Lloyd’s approves coverholders because Lloyd’s wants managing agents to delegate underwriting, only to well managed and financially secure coverholders. This ensures that policyholders’ interests are properly protected and also protects and further improves Lloyd’s reputation in the local territory.

What are the suitability criteria?
In deciding whether to approve a company as a coverholder, Lloyd’s will consider the following:
• The coverholder’s compliance with appropriate principles of good corporate governance.
• The coverholder’s membership of any body or organisation deemed necessary or desirable.
• The quality and adequacy of the coverholder’s human resources.
• The quality and adequacy of the coverholder’s other resources.
• The quality and adequacy of the coverholder’s controls and procedures to manage its business.
• Whether the coverholder is of appropriate reputation and standing.
• Whether any person who controls the coverholder, or is connected or associated, is of appropriate reputation and standing.
• Whether the coverholder has adequate capital and financial resources.
• Whether the coverholder has adequate professional indemnity insurance.
• Whether the coverholder is capable and willing to comply with terms of any undertaking given by Lloyd’s.
• Whether the coverholder possesses all the licences, approvals or authorisations in order to act as an approved coverholder wherever it will conduct insurance business in that capacity.

Beyond considering these suitability criteria for a coverholder, the managing agent will also pay close attention to each of the following areas when deciding whether to issue a binding authority:
• The quality and adequacy of the coverholder’s business plan.
• The quality and adequacy of the underwriting function.
• The quality and adequacy of the coverholder’s ability to operate a binding authority.
• The quality and adequacy of the claims handling function (where applicable).
• The coverholder’s reputation and standing.
• The coverholder’s financial standing.
• Financial crime.
• The coverholder’s regulatory or licensed status.

(Details for each of these areas can be found in the Code of practice – delegated underwriting – see relevant links and guidance at the end of this chapter).
What is the undertaking?
As part of the approval process Lloyd’s requires all coverholders to enter into a standard undertaking.

The main purpose of the undertaking is to set out, in clear terms, the basic expectations Lloyd’s has of coverholders when they deal with Lloyd’s, their customers and clients, and Lloyd’s managing agents and Lloyd’s brokers. It also sets out the Lloyd’s powers relating to the operation of a binding authority or the ongoing approval of an approved coverholder.

What is covered in the Lloyd’s undertaking?

<table>
<thead>
<tr>
<th>General (conduct and conduct of business)</th>
<th>Why is that important?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The coverholder commits to deal with Lloyd’s in good faith and conduct their business appropriately.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Underwriting Authority</th>
<th>Why is that important?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The coverholder commits to only enter into contracts of insurance in accordance with their binding authority agreement and not to sub-delegate their authority.</td>
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</table>

<table>
<thead>
<tr>
<th>Administrative arrangements (including insurance monies)</th>
<th>Why is that important?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The coverholder commits to organise and control their affairs responsibly and ensure that any insurance monies are held in accordance with the binding authority agreement and under local jurisdiction requirements.</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Dealing with customers</th>
<th>Why is that important?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The coverholder commits to treating its customers fairly and only acting under the terms of the binding authority agreement.</td>
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</table>

<table>
<thead>
<tr>
<th>Dealing with the Lloyd’s market</th>
<th>Why is that important?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The coverholder commits to deal with Lloyd’s market openly and in good faith and to comply with the binding authority agreement.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Compliance with local requirements</th>
<th>Why is that important?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The coverholder commits to comply with all relevant local insurance, fiscal, taxation and regulatory requirements and to notify Lloyd’s representative immediately of any failure to do so.</td>
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</table>

<table>
<thead>
<tr>
<th>De-registration or immediate suspension</th>
<th>Why is that important?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The coverholder commits to comply with the binding authority agreements provision in relation to expiry, cancellation or termination of the binding authority agreement.</td>
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<table>
<thead>
<tr>
<th>Lloyd’s powers</th>
<th>Why is that important?</th>
</tr>
</thead>
<tbody>
<tr>
<td>It commits the coverholder to respond to requests from Lloyd’s or its representatives for information or documentation relating to the binding authority agreement.</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Miscellaneous (material changes or other significant matters)</th>
<th>Why is that important?</th>
</tr>
</thead>
<tbody>
<tr>
<td>It commits the coverholder to notify Lloyd’s representatives of any material changes to the coverholder application or other significant matters which Lloyd’s would expect notice of.</td>
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</table>

<table>
<thead>
<tr>
<th>Data protection</th>
<th>Why is that important?</th>
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<tbody>
<tr>
<td>The coverholder confirms that they have read and accepted the terms regarding the use of personal and business sensitive data.</td>
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</table>

<table>
<thead>
<tr>
<th>Third party contract rights</th>
<th>Why is that important?</th>
</tr>
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<tbody>
<tr>
<td>The coverholder confirms that they understand that none of provisions of the undertaking are enforceable by anyone other than the Corporation of Lloyd’s.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Governing law</th>
<th>Why is that important?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The coverholder confirms their understanding that the undertaking and all matters relating to their application as a coverholder at Lloyd’s, shall be subject to the laws of England.</td>
<td></td>
</tr>
</tbody>
</table>
How does the undertaking fit in with the binding authority agreement that the coverholder may have with a managing agent?

Lloyd’s is not a party to the binding authority agreement that a coverholder enters into with a managing agent. However, it needs the ability to be able to step in to deal with issues as a last resort, for instance if the relationship between the coverholder and the managing agent completely breaks down. For this reason the undertaking is put in place.

Lloyd’s interest here is to protect the Lloyd’s market, its reputation, its good name, compliance with the terms of its licences worldwide and its reputation for making sure that all valid claims are paid.

What is Lloyd’s looking for?

Lloyd’s objective is to promote profitable underwriting from its coverholders, which means it is looking for companies made up of professional people with good business plans that are financially sound.

<table>
<thead>
<tr>
<th>Systems and IT</th>
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<tbody>
<tr>
<td><strong>What is Lloyd’s looking for?</strong></td>
</tr>
<tr>
<td>• That the coverholder has the resources and systems for underwriting administration and for the administration and agreement of claims (where applicable).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business continuity planning</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is Lloyd’s looking for?</strong></td>
</tr>
<tr>
<td>• That there is a business continuity plan in place to ensure timely recovery in the event of a disaster and/or supply chain interruption (see Appendix 2 at the end of the chapter).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Regulatory and tax</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is Lloyd’s looking for?</strong></td>
</tr>
<tr>
<td>• Lloyd’s operates in a highly regulated market, where high standards are the expected norm, so Lloyd’s in turn expects the same from its coverholders.</td>
</tr>
<tr>
<td>• Audits of the coverholder will be conducted by either internal staff or an external auditor at specified periods, coordinated through the Lloyd’s broker.</td>
</tr>
<tr>
<td>• Coverholders can demonstrate the appropriate principles of good corporate governance.</td>
</tr>
<tr>
<td>• Coverholder can demonstrate knowledge of local relevant insurance, fiscal and taxation laws and requirements.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Conflict of interest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is Lloyd’s looking for?</strong></td>
</tr>
<tr>
<td>• The coverholder has arrangements in place for identifying, resolving or managing conflicts of interest.</td>
</tr>
</tbody>
</table>

### Business Activity

**What is Lloyd’s looking for?**

- That the coverholder organisation and staff adhere to high professional standards to ensure there is no risk to the Lloyd’s brand, reputation and licences.
- That the coverholder is competent, proficient and well run.

### Business plan

**What is Lloyd’s looking for?**

- The coverholder has to prepare an underwriting plan for any proposed binding authority which will be reviewed by the managing agent to ensure that it fits with their strategy. This should include:
  - Source of business
    - Profitability
    - Other contracts of delegation
    - Analysis of market place
    - Basis for selection of risks and pricing
    - Performance against monthly targets
    - How will the binding authority fit within the coverholders other areas of business
Relevant links and guidance

- To access the dedicated website for coverholders at Lloyd’s go to:
  http://www.lloyds.com/coverholder

- To access Lloyd’s market intelligence products go to:
  http://www.lloyds.com/market-intelligence

- To access Lloyd’s forthcoming events go to:
  http://www.lloyds.com/events

- To access more information on the LLMIT go to:
  http://www.lloyds.com/LLMIT

- To access the suitability criteria within the Code of Practice – Delegated Underwriting go to:
## Appendix 1

### DISASTER RECOVERY/BUSINESS CONTINUITY PLAN

As a guide, coverholders should check their own plans, if any exist, against the following:

| • Emergency information sheet: one-page summary of immediate steps to be taken and individuals to be contacted |
| • Introduction to the plan: its purpose, author, organisation, scheduled updates |
| • Communication plan (or “telephone tree”): names of those to be contacted, including office and home numbers, strategy for contacting them, and communication vehicles that can be used |
| • Institution-wide collection priorities: list, with locations and name/phone of collection specialist(s). Note: More detailed priorities -- by department, subject, and/or location -- should be indicated in an appendix to the plan |
| • Prevention/protection strategy: schedules, procedures, and persons responsible for routine testing and inspections (e.g., of fire alarms and suppression systems, roof, etc.), and procedures for follow-up to reported vulnerabilities. Note: Inspection checklists should appear in the appendix, and completed inspection forms should be retained to allow follow-up on reported problems |
| • Checklist of pre-disaster actions: outline of procedures to be followed in advance of emergency for which there is advance warning (e.g., hurricane, flooding), including assignment of responsibilities for those actions |
| • Instructions for response and recovery: summary of steps to be taken to salvage materials. It is useful in the body of the plan to summarize the procedures for the most likely incidents, and to include both more detail and a broader range of incidents in the appendix |
| • Recovery team members: list of recovery/salvage team members (including work and home phone numbers), with description of their responsibilities, scope of authority, and reporting lines |
| • Collection priorities within departments, locations, and/or subject areas: lists, names of collection specialist(s) for each area, and location (perhaps indicated on floor plan) |
| • Checklists for prevention/protection inspections: extra copies of forms to be used. |
| • Response and recovery instructions: detailed, step-by-step instructions on all phases of salvage operation, including discussion of recovery from the range of incidents that are possible (e.g., roof/plumbing leaks, flooding, fire, etc.) and covering the various media included in the collection, such as books and journals, manuscripts/records, coated vs. uncoated stock, sound recordings, photographic media, computer/electronic media, etc. |
| • Instructions for long-term rehabilitation: procedures for activities including marking and labelling, rebinding and repair, rehousing manuscript/archival materials, sorting and rehousing, smoke/soot removal, cleaning, etc. |
| • Record-keeping forms: multiple copies of all forms that may be needed in the salvage operation, including inventory forms, packing lists, requisitions and purchase orders, etc. |
- Detailed building plans: separate sets covering each of the following: storage areas, aisles, entrances and exits, windows; fire extinguishers, fire alarms, sprinklers, smoke/fire detectors, annunciators; shut-offs and master switches for power, water, gas, HVAC (heating, ventilation, and air-conditioning) system, elevator controls, etc.; priority collections (by department)

- Resource lists: locations and inventory of in-house supplies, sources of commercial supplies/equipment that may be purchased, names of consultants and other specialists, sources of auxiliary/volunteer personnel, etc. For lists of resources outside the institution, it will be useful to provide day and night/weekend contacts and phone numbers, along with some details about the resource such as the type and quantities of materials available, cost and payment terms, and/or special arrangements/contracts that exist

- Accounting information: description of institutional funds available in a recovery effort and procedures/authorisation for access to them

- Insurance information: explanations of coverage claim procedures, record-keeping requirements, restrictions on staff/volunteers entering a disaster area, information on state/federal disaster relief procedures

- Location of keys: information about the location of, and means of access to keys or combinations of special collections, elevators, offices, etc. Note: For security reasons, it may not be prudent to provide exact information about all these. In such cases, the plan should specify a procedure for contacting the individuals who have the proprietary information

- Reading list: location and call number of materials in the collection, and perhaps full text of key works
This document gives an introduction to the binding authority agreement (also known as a model contract of delegation), its content and what the coverholder needs to do and know.

**CONTENTS**

**Model contracts of delegation (binding authorities)**
- Background
- Who are the contracting parties?
- Why is a contract needed?
- What are model contracts and non-model contracts?
- What binding authority model agreements are there and where can I find them?
- What are the key areas covered by the binding authority agreement?
- What does the binding authority look like?
- What is contract certainty?
- How does contract certainty apply to binding authority agreements?
- What do I need to do and know?

**Relevant links and guidance**
Background
The contract that frames the responsibilities, entitlements and obligations of the parties is the contract of delegation and is referred to as the binding authority agreement. It is the document that the parties use to make sure all contracting parties are clear about their roles and responsibilities.

The binding authority agreement (contract of delegation) is not the contract of insurance (the contract of insurance is explained in chapter 5).

Who are the contracting parties?
The two contracting parties are:
• The coverholder
• The managing agent (on behalf of the Lloyd’s syndicate)

Why is a contract needed?
An important part of Lloyd’s rules relates to the contents of every binding authority contract. Establishing the exact terms and conditions of the binding authority will make sure that as a coverholder you understand exactly what you can do and how you must act as an approved coverholder. What this means is:
• There must always be a contract between the parties setting out how the binding authority will work (i.e. the binding authority agreement).
• There are also a number of sub requirements that must always be clear between the parties and must be included in the agreement.

The managing agent must set out the parameters within which the coverholder is allowed to act.

Agreeing these terms at the outset reduces the possibility of misunderstandings or disputes at a later stage.

It is for this reason that the Lloyd’s broker (or managing agent) cannot register a binding authority at Lloyd’s until the coverholder has agreed in writing to its terms and conditions.

What are model contracts and non-model contracts?
There are requirements that need to be addressed in any contract of delegation. To make life easier there are model contracts available which are issued by the Lloyd’s Market Association (LMA) and meet all these requirements. Equally, the parties may enter into non-model contracts provided they address the requirements of the key areas that must be included in a binding authority agreement.

What binding authority model agreements are there and where can I find them?

<table>
<thead>
<tr>
<th>Type of model agreement</th>
<th>Reference number</th>
<th>Document used</th>
</tr>
</thead>
<tbody>
<tr>
<td>For USA</td>
<td>LMA 3018</td>
<td>United States of America non-marine model binding authority agreement</td>
</tr>
<tr>
<td>For Canada</td>
<td>LMA 3020</td>
<td>Canadian non-marine binding authority agreement</td>
</tr>
<tr>
<td>For the rest of the world</td>
<td>LMA 3019</td>
<td>Non-marine binding authority agreement (excluding USA and Canada domiciled coverholders)</td>
</tr>
<tr>
<td>For marine</td>
<td>LMA 3021</td>
<td>Marine binding authority agreement</td>
</tr>
<tr>
<td>Where the Lloyd’s broker is also acting as the coverholder</td>
<td>LMA 3024</td>
<td>Lloyd’s brokers non-marine binding authority agreement</td>
</tr>
</tbody>
</table>

These can all be found on www.lloyds.com as binding authority model agreements and each one has its own set of guidance notes (see relevant links and guidance at end of this chapter).

What are the key areas covered by the binding authority agreement?

Prudent underwriting
What is covered?
This states that the coverholder is expected to act always in a prudent and professional way with due care and skill.

Authorised people
What is covered?
This identifies which of the coverholders staff have the authority to enter into contracts of insurance and who has responsibility for overall control of the binding authority.

Duration
What is covered?
This identifies the duration of the contract of delegation will usually last for no more than 12 months and must never exceed 18 months in total.

contd.
<table>
<thead>
<tr>
<th><strong>Contracts of insurance</strong></th>
<th><strong>Agreeing claims</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is covered?</strong></td>
<td><strong>What is covered?</strong></td>
</tr>
<tr>
<td>This identifies which types and classes of insurance can be entered into by the coverholder under the binding authority.</td>
<td>This identifies if the coverholder has been given authority to agree claims from contracts of insurance entered into under the binding authority agreement.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Selling arrangements</strong></th>
<th><strong>Claim funds</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is covered?</strong></td>
<td><strong>What is covered?</strong></td>
</tr>
<tr>
<td>This identifies the local requirement for how the insurance should be sold by a coverholder.</td>
<td>If a coverholder has been allocated a claims fund this sets out the requirements for holding these funds and defines the circumstances in which they can be used.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Renewing contracts of insurance</strong></th>
<th><strong>Reporting responsibilities</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is covered?</strong></td>
<td><strong>What is covered?</strong></td>
</tr>
<tr>
<td>This identifies the local requirements for a coverholder when handling non-renewable contracts of insurance.</td>
<td>This sets out the requirements for the coverholder to report by type or class, premiums, paid claims, outstanding claims and expenses in respect of contracts of insurance it has entered into.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Limits on premium income</strong></th>
<th><strong>Sub-contracted claims handling</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is covered?</strong></td>
<td><strong>What is covered?</strong></td>
</tr>
<tr>
<td>This identifies the limit applied to the gross premium income allowable for the coverholder.</td>
<td>This sets out the requirements of a coverholder who is allowed to sub-contract responsibility for handling claims and performing certain administrative functions.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Collecting premiums</strong></th>
<th><strong>Complaints</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is covered?</strong></td>
<td><strong>What is covered?</strong></td>
</tr>
<tr>
<td>This sets out the coverholders responsibilities and the appropriate service standards required for the collecting of premiums.</td>
<td>This sets out the requirements for the coverholder to have appropriate procedures in place for the handling of policyholder complaints.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Insurance monies</strong></th>
<th><strong>Lawful instructions</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is covered?</strong></td>
<td><strong>What is covered?</strong></td>
</tr>
<tr>
<td>This sets out the requirements for the coverholder to ensure that any insurance monies are held in a separate insurance monies account.</td>
<td>This sets out the requirements of the coverholder in respect of the operation of risks bound under or claims arising from the binding authority agreement.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Insurance documents</strong></th>
<th><strong>Cancellation</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is covered?</strong></td>
<td><strong>What is covered?</strong></td>
</tr>
<tr>
<td>This sets out the coverholders responsibilities and the service standards required, including format and content, when producing and issuing insurance documents.</td>
<td>This sets out the provisions for cancellation of the binding authority agreement.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Handling claims</strong></th>
<th><strong>contd.</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is covered?</strong></td>
<td></td>
</tr>
<tr>
<td>This sets out the coverholders responsibilities and the appropriate service standards required for the handling of claims.</td>
<td></td>
</tr>
</tbody>
</table>
### Using the Lloyd’s Name

**What is covered?**
This sets out the requirements for the coverholder to follow the Lloyd’s guidelines when using the Lloyd’s name.

### Inspection and ownership of records

**What is covered?**
This sets out the requirements for the coverholder to keep complete records of all business carried out under the binding authority agreement.

### Jurisdiction and choice of law

**What is covered?**
This informs the coverholder that English law and English jurisdiction will apply, but free to agree otherwise in the binding authority agreement.

---

**What does the binding authority look like?**

The model binding authority agreement document is structured as two parts:

- The standard wording* contains all the Lloyd’s required content and standard clauses for the binding authority agreement.
- The schedule contains all the variable information (for example, inception date, expiry dates, who has authority to do what, etc) which is completed by the Lloyd’s broker and changes each year. It also contains a section for completion if any of the standard wording is replaced with a non-standard wording. It is the schedule that is signed by the two contracting parties.

* The parties can use their own non-standard wording provided it covers the Lloyd’s requirements for the binding authority agreement.
How is the schedule structured?

The schedule:

- Example of the first page of the schedule

---

**SCHEDULE**

This Schedule forms part of and incorporates by reference LMA3019 (the ‘Agreement’), which Agreement is identified by the Agreement Number and Unique Market Reference Number stated below. For the purposes of interpretation, the contents of this Schedule shall have meaning only as provided for in the Agreement.

<table>
<thead>
<tr>
<th>Agreement Number:</th>
<th>12345</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unique Market Reference Number:</td>
<td>BZ123/12345</td>
</tr>
</tbody>
</table>

The Coverholder:

John Smith Inc.

Address:
Suite 123
123 Main Street
Manchester
M12 XYZ

The Lloyd’s Broker:

ABC Broker

Address:
456 High Street
London
EC3

**AGREEMENT SECTION NUMBER**

<table>
<thead>
<tr>
<th>AGREEMENT SECTION NUMBER</th>
<th>NARRATIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 2</td>
<td>PERIOD: From: 1st January 2014 To: 31st December 2014 Both days inclusive, any time zone</td>
</tr>
<tr>
<td>Sub-section 3.1</td>
<td>THE PERSON(S) RESPONSIBLE FOR THE OVERALL OPERATION AND CONTROL:</td>
</tr>
<tr>
<td>Sub-section 3.2</td>
<td>THE PERSON(S) AUTHORISED TO BIND INSURANCES: JOHN SMITH</td>
</tr>
</tbody>
</table>

(To see the full schedule see relevant links and guidance for a link to the templates)
What is contract certainty?
Contract certainty, which is an expectation of the FSA, provides that there shall be complete and final agreement of all terms between the parties, before the binding authority incepts.

How does contract certainty apply to binding authority agreements?
Before a coverholder is authorised to act on behalf of a managing agent, whether on new binding authorities or renewed ones, the managing agent must have received written confirmation from the coverholder agreeing to the terms and conditions of the binding authority.

The binding authority cannot be registered at Lloyd’s until this confirmation has been received and as a coverholder, you must not operate the binding authority until the Lloyd’s broker (or managing agent) has confirmed that the binding authority has been registered with Lloyd’s. This applies to both new and renewal business.

In order for contract certainty to be achieved, everyone contracted in the document must be clear about their roles and responsibilities and there must be complete and final agreement of all binding authority terms between the coverholder and the managing agent, before the inception of the binding authority agreement. This ensures that there can be no misunderstanding between the parties before the binding authority agreement starts.

As part of the binding authority agreement sign off there must be complete and final agreement of the format and scope of terms to be used in insurance documentation, issued under the binding authority and the coverholder must hold or have access to all the insurance documents that are used for the evidence of cover by the time the binding authority agreement starts.

What do I need to do and know?
How does the process of arranging a binding authority agreement work?

• Whilst the binding authority agreement is between the coverholder and the managing agent, the Lloyd’s broker is normally responsible for liaising with the coverholder and the managing agent for the binding authority agreement.

• The coverholder will be advised of any wording changes to the binding authority agreement via the Lloyd’s broker.

• The contracting parties show their agreement to the binding authority agreement by signing the schedule.

How long does a binding authority agreement last and why is that?
The binding authority agreement lasts for 12 months. The reason is that Lloyd’s is not a fixed capital market. Its members change and the syndicates are reconstituted each year. This means that the binding authority agreement will always be for a 12 month period. They can be extended for up to an additional 6 months to a maximum of 18 months.

Relevant links and guidance
Further details for binding authority agreements can be found on www.lloyds.com.

• Examples of binding authority model agreements and guidance notes can be found here: http://www.lloyds.com/The-Market/Tools-and-Resources/Resources/LMA-binding-authority-model-agreements

• Contract certainty code of conduct and detailed guidance on contact certainty can be found here: http://www.lloyds.com/The-Market/Tools-and-Resources/Resources/LMP-binding-authority-slip-quality

This chapter gives an introduction to the format and content of the insurance documentation, and what you need to know.

**CONTENTS**

**Certificates**

- What is a certificate?
- Where is the content of the certificate defined?
- What does a typical certificate look like?
- What does Lloyd’s require for certificates and why?
- What is contract certainty and how does it apply to certificates?
- What if there are other companies on a risk?

**Relevant links and guidance**

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**Click to download other chapters**

1. Introduction
2. Coverholders at Lloyd’s
3. Lloyd’s offer and expectations
4. Binding authority agreements
5. Certificates
6. Premium handling
7. Claims handling
8. Lloyd’s coverholder reporting standards
9. Coverholder systems used by Lloyd’s
10. Compliance obligations
11. Coverholder audit
12. Understanding regulatory requirements
13. Lloyd’s brand
14. The application process
15. A-Z Glossary
**What is a certificate?**
The certificate* sets out the terms of the insurance contract between the policyholder (insured) and the managing agent.

As a coverholder, the format and content of insurance documents you issue must be agreed with the managing agent via the Lloyd’s broker.

**Where is the content of the certificate defined?**
- The binding authority agreement clearly defines what specific information should be included in the insurance documents.
- The binding authority agreement also sets out responsibilities and service standards for producing and issuing insurance documents.

There is flexibility for the coverholder to devise the format for certificates provided they include the Lloyd’s and local requirements for insurance documents.

* Lloyd’s uses the generic terms of either ‘certificates’ or ‘insurance documents’ to refer to the insurance contract.

contd.
What does a typical certificate look like?
This is the SLC-3 USA version

Front sheet

Lloyd’s Certificate

This Insurance is effected with certain Underwriters at Lloyd’s, London.

This Certificate is issued in accordance with the limited authorization granted to the Correspondent by certain Underwriters at Lloyd’s, London whose syndicate numbers and the proportions underwritten by them can be ascertained from the office of the said Correspondent (such Underwriters being hereinafter called “Underwriters”) and in consideration of the premium specified herein, Underwriters hereby bind themselves severally and not jointly, each for his own part and not one for another, their Executors and Administrators.

The Assured is requested to read this Certificate, and if it is not correct, return it immediately to the Correspondent for appropriate alteration.

All inquiries regarding this Certificate should be addressed to the following Correspondent:

SLC-3 (USA) NWA2868 (24/08/2000)
CERTIFICATE PROVISIONS

1. Signature Required. This Certificate shall not be valid unless signed by the Correspondent on the attached Declaration Page.

2. Correspondent Not Insurer. The Correspondent is not an insurer hereunder and neither is nor shall be liable for any loss or claim whatsoever. The insurers hereunder are those Underwriters at Lloyd's, London whose syndicate numbers can be ascertained as hereinbefore set forth. As used in this Certificate 'Underwriters' shall be deemed to include incorporated as well as unincorporated persons or entities that are Underwriters at Lloyd's, London.

3. Cancellation. If this Certificate provides for cancellation and this Certificate is cancelled after the inception date, earned premium must be paid for the time the insurance has been in force.

4. Service of Suit. It is agreed that in the event of the failure of Underwriters to pay any amount claimed to be due hereunder, Underwriters, at the request of the Assured, will submit to the jurisdiction of a Court of competent jurisdiction within the United States. Nothing in this Clause constitutes or should be understood to constitute a waiver of Underwriters' rights to commence an action in any Court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another Court as permitted by the laws of the United States or of any State in the United States. It is further agreed that service of process in such suit may be made upon the firm or person named in Item 6 of the attached Declaration Page, and that in any suit instituted against any one of them upon this contract, Underwriters will abide by the final decision of such Court or of any Appellate Court in the event of an appeal. The above-named are authorized and directed to accept service of process on behalf of Underwriters in any such suit and/or upon request of the Assured to give a written undertaking to the Assured that they will enter a general appearance upon Underwriters' behalf in the event such a suit shall be instituted. Further, pursuant to any statute of any state, territory or district of the United States which makes provision therefor, Underwriters hereby designate the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the statute, or his successor or successors in office, as their true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Assured or any beneficiary hereunder arising out of this contract of insurance, and hereby designate the above-mentioned as the person to whom the said officer is authorized to mail such process or a true copy thereof.

5. Assignment. This Certificate shall not be assigned either in whole or in part without the written consent of the Correspondent endorsed hereon.

6. Attached Conditions Incorporated. This Certificate is made and accepted subject to all the provisions, conditions and warranties set forth herein, attached or endorsed, all of which are to be considered as incorporated herein.

7. Short Rate Cancellation. If the attached provisions provide for cancellation, the table below will be used to calculate the short rate proportion of the premium when applicable under the terms of cancellation.

Short Rate Cancellation Table For Term of One Year.
# Cancellation Table

## Table

<table>
<thead>
<tr>
<th>Days Insurance in Force</th>
<th>Per Cent of one year Premium</th>
<th>Days Insurance in Force</th>
<th>Per Cent of one year Premium</th>
<th>Days Insurance in Force</th>
<th>Per Cent of one year Premium</th>
<th>Days Insurance in Force</th>
<th>Per Cent of one year Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>55</td>
<td>154</td>
<td>515</td>
<td>256 - 260</td>
<td>77%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>56</td>
<td>157</td>
<td>54</td>
<td>261 - 264</td>
<td>78%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>57</td>
<td>161</td>
<td>56</td>
<td>265 - 269</td>
<td>79%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>58</td>
<td>165</td>
<td>59</td>
<td>270 - 274</td>
<td>80%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>59</td>
<td>169</td>
<td>62</td>
<td>278 - 282</td>
<td>82%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>60</td>
<td>174</td>
<td>65</td>
<td>281 - 286</td>
<td>84%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>61</td>
<td>180</td>
<td>68</td>
<td>289 - 294</td>
<td>85%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>62</td>
<td>186</td>
<td>71</td>
<td>297 - 302</td>
<td>87%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>63</td>
<td>193</td>
<td>73</td>
<td>303 - 308</td>
<td>89%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>64</td>
<td>199</td>
<td>75</td>
<td>309 - 314</td>
<td>90%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>65</td>
<td>205</td>
<td>77</td>
<td>316 - 321</td>
<td>92%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>66</td>
<td>212</td>
<td>79</td>
<td>323 - 328</td>
<td>93%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>67</td>
<td>219</td>
<td>81</td>
<td>331 - 336</td>
<td>95%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>68</td>
<td>226</td>
<td>83</td>
<td>339 - 344</td>
<td>97%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>69</td>
<td>234</td>
<td>85</td>
<td>347 - 352</td>
<td>99%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>70</td>
<td>242</td>
<td>87</td>
<td>355 - 360</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Rules applicable to insurance with terms less than or more than one year:

A. If insurance has been in force for one year or less, apply the short rate table for annual insurance to the full annual premium determined as for insurance written for a term of one year.

B. If insurance has been in force for more than one year:

1. Determine full annual premium as for insurance written for a term of one year.

2. Deduct such premium from the full insurance premium, and on the remainder calculate the pro rata earned premium on the basis of the ratio of the length of time beyond one year the insurance has been in force to the length of time beyond one year for which the policy was originally written.

3. Add premium produced in accordance with items (1) and (2) to obtain earned premium during full period insurance has been in force.
This Declaration Page is attached to and forms part of Certificate provisions (Form SLC-3 USA NMA2868)

1. Name and address of the Assured:

2. Effective from __________ to __________ both days at 12:01 a.m. standard time.

3. Insurance is effective with certain UNDERWRITERS AT LLOYD’S, LONDON, Percentage: __________

4. Amount Coverage Rate Premium

5. Forms attached hereto and special conditions:

6. Service of Suit may be made upon:

7. In the event of a claim, please notify the following:

Dated __________ by __________

Correspondent

Different territories have different requirements for certificate formats; coverholders can use their own format, but these must meet the requirements as set out on the table on the next page.
What does Lloyd’s require for certificates and why?

Insurance documentation evidencing contracts of insurance and issued by an approved coverholder must include the following information, provisions and terms:

<table>
<thead>
<tr>
<th>Lloyd’s requirements</th>
<th>Why is that important?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Each certificate will be issued using a consistent standardised referencing system</td>
<td>Each certificate should have a unique number so it can be used as a reference tool by</td>
</tr>
<tr>
<td>to enable individual certificates to be traced back to a particular coverholder.</td>
<td>the managing agent and the Lloyd’s broker.</td>
</tr>
<tr>
<td>The name and address of the coverholder.</td>
<td>This ensures that the policyholder knows who to contact in the event of a claim or to</td>
</tr>
<tr>
<td></td>
<td>notify of any changes.</td>
</tr>
<tr>
<td>All relevant terms and conditions that relate to the contract of insurance entered</td>
<td>This informs the policyholder of what is and what is not insured.</td>
</tr>
<tr>
<td>into by the coverholder including:</td>
<td></td>
</tr>
<tr>
<td>• Relevant wordings, exclusions and limitations</td>
<td></td>
</tr>
<tr>
<td>• The maximum period of cover</td>
<td></td>
</tr>
<tr>
<td>• The limits of liability</td>
<td></td>
</tr>
<tr>
<td>The amount of the premium and any other information relating to the cost of the</td>
<td>This tells the policyholder what the insurance will cost them and whether there are any</td>
</tr>
<tr>
<td>contract of insurance that is required by applicable laws or requirements to be</td>
<td>deductions.</td>
</tr>
<tr>
<td>disclosed.</td>
<td></td>
</tr>
<tr>
<td>Information about the procedures for handling claims arising under the contract of</td>
<td>This tells the policyholder what they need to do in the event of a claim or if they have</td>
</tr>
<tr>
<td>insurance and for the resolution of any complaints.</td>
<td>a complaint.</td>
</tr>
<tr>
<td>The law and jurisdiction applicable to the contract of insurance.</td>
<td>This tells the policyholder which laws apply to the insurance contract and which courts</td>
</tr>
<tr>
<td></td>
<td>would consider any disputes.</td>
</tr>
<tr>
<td>Any other provisions required under the laws or requirements of the jurisdiction in</td>
<td>This highlights local regulatory requirements.</td>
</tr>
<tr>
<td>which the contract was concluded, where the insured is domiciled or of any other</td>
<td></td>
</tr>
<tr>
<td>relevant jurisdiction.</td>
<td></td>
</tr>
<tr>
<td>Every insurance document issued to a policyholder will contain an appropriate several</td>
<td>This reflects that each member is on risk for its own share and not on behalf of any</td>
</tr>
<tr>
<td>liability clause.</td>
<td>other member.</td>
</tr>
<tr>
<td>All insurances sold will comply with local regulatory requirements.</td>
<td>Regulators in different countries will often have specific requirements that will</td>
</tr>
<tr>
<td></td>
<td>apply to the contract and the coverholder must comply with these. This ensures that</td>
</tr>
<tr>
<td></td>
<td>both Lloyd’s and the managing agent are protected against potential regulatory action.</td>
</tr>
<tr>
<td>The wording of the certificates is prescribed in the schedule of the binding authority</td>
<td>This ensures that the certificates will have been seen and agreed by the managing agent.</td>
</tr>
<tr>
<td>agreement.</td>
<td></td>
</tr>
</tbody>
</table>
What is contract certainty and how does it apply to certificates?

Contract certainty means that:

- All certificates must be issued by the coverholder within 30 days of inception of the policy and within 5 working days of inception of the policy for UK retail business.
- Under the binding authority agreement, the coverholder will report to their managing agent that they have met the 30 day (or 5 working days) service level.
- The certificate must contain all terms and conditions relevant to the insurance contract.

How is this monitored?

- The coverholder should record the date the certificate was issued as part of the regular risk reporting to insurers.
- The coverholder audit will also help to assure the managing agent that the coverholder is meeting these contract certainty requirements.

What if there are other companies on a risk?

Where these are Lloyd’s syndicates and other insurance companies providing insurance cover for a risk, the coverholder is not allowed to issue a single “Lloyd’s certificate” including the insurance companies on it, at the same time. Normally there should be two separate certificates. However, in rare circumstances the managing agent may agree that a coverholder may issue a single certificate reflecting both Lloyd’s and non-Lloyd’s security.

This is known as a “combined certificate” (or sometimes a “joint certificate”).

If the managing agent has agreed, the coverholder can issue a combined certificate and the Lloyd’s broker will help the coverholder to ensure they meet the relevant requirements.

Relevant links and guidance

Extract from the Code of practice – delegated underwriting - explaining the requirements for insurance documents:

7.1 Introduction

The managing agent must be satisfied with the format and content of the insurance documents the coverholder will issue under the binding authority. It is essential that the managing agent clearly sets out the Coverholder’s responsibilities and set appropriate service standards relating to producing and issuing insurance documents.

To satisfy Contract Certainty requirements with regard to the timely delivery of insurance documents, managing agents should require each Coverholder to confirm that insurance documents have been issued within required timescales.

The form and frequency of this return from coverholders should reflect the managing agent’s assessment of risk, while ensuring that returns are received at least annually from each coverholder.

7.2 Content of insurance documentation

Insurance documentation evidencing contracts of insurance issued by an approved coverholder or by a restricted coverholder must include the following information, provisions and terms:

Table 7.2

(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

contd.
(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

The managing agent must also ensure that every insurance document issued to a policyholder contains an appropriate several liability clause. This applies whether or not the binding authority is entered into by one or more syndicates and whether or not there is any non-Lloyd’s security on the binding authority.

The certificate issued must have a consistent standardised referencing system whereby individual certificates can be traced back to a particular binding authority. This may be the UMR as per the binder, or another similar referencing system.

In most territories there are requirements governing how the insurance should be sold to policyholders (for example, in the UK there is FSA and ABI guidance). It is essential that the managing agent is satisfied that the insurance to be sold by the coverholder on underwriters’ behalf complies with any local regulatory requirements.
This chapter gives an introduction to what premiums are, the process for handling premiums and what the coverholder needs to know.

CONTENTS

Premium handling for coverholders

• Background
• What are the coverholder’s obligations with premium collection and reporting?
• What do premiums consist of?
• What are credit control and terms of trade?
• How does it happen and who is responsible for what?
• What is XIS?
• What are the coverholder reporting standards?

Relevant links and guidance

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10. Compliance obligations
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12. Understanding regulatory requirements
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15. A-Z Glossary
Background
In the coverholder distribution channel, both brokers and coverholders are involved in the processing of premiums, on behalf of the managing agent. This chapter outlines the related process, roles and responsibilities.

What are the coverholder’s obligations with premium collection and reporting?
The coverholder is given authority to write risks on behalf of the managing agents via binding authority agreements. Part of the coverholder’s contractual obligation is that they will collect premiums on risks written and regularly report and pay the premiums collected to the managing agent via the Lloyd’s broker.

In many territories, there are local obligations to pay taxes and to report to tax authorities and regulators. Some of these are dealt with by local Lloyd’s offices (see chapter 3 Lloyd’s offering) and coverholders may also be required to report details of premiums to the Lloyd’s local office so that these commitments can be met.

In Canada, Lloyd’s provides a system called Lineage which assists with premium handling, claims handling and regulatory reporting (see chapter 9 Coverholder systems used by Lloyd’s for detail on Lineage).

What do premiums consist of?
Gross premium received may include:
•  Net premium due to the underwriter for the product
•  Retail broker commission (if applicable)
•  Coverholder’s commission
•  Applicable taxes and fees

What are credit control and terms of trade?
Credit control:
•  Credit control is the process by which the managing agent monitors that all premiums have been paid on time.
Terms of trade:
•  Payment of premiums is made by the coverholder via the Lloyd’s broker within the maximum number of days specified in the binding authority agreement.

Lloyd’s has an online business tool known as Crystal to provide coverholders with quick and easy access to international regulatory and taxation requirements (see chapter 12 Understanding regulatory requirements for further details).
How does it happen and who is responsible for what?
The binding authority agreement (see chapter 4 Binding authority agreements) will be between the coverholder and one or more managing agents. The coverholder may place risks across more than one binding authority agreement which means that premiums are often shared between several managing agents.

The steps for the premium handling process are:

1. The coverholder collects the gross premiums from the policyholders.

2. The coverholder deducts their commission and any fees and taxes that they have had to pay local authorities. In some situations they may be permitted to offset the claims against the premiums. They will then report and pay the remaining premium to the managing agent via the Lloyd’s broker.

3. The Lloyd’s broker produces the London Premium Advice Note (LPAN) and sends to Xchanging Ins-sure Services (XIS).

4. XIS will:
   - Perform various checks and controls:
     - Document checking
     - Data entry
     - Numbering and policy signing
   - Provide information to Lloyd’s to enable tax and regulatory commitments to be met.
   - Provide information to Lloyd’s central settlement department which is known as the Settlement and Trust Fund Office (STFO) so that the correct premiums can be paid to the market participants.

5. STFO settle payments between the managing agent and the Lloyd’s broker.

Premium handling process

[Diagram showing the flow of money and information between various parties involved in the premium handling process.]
What is XIS?
Lloyd’s managing agents delegate aspects of their back office process to a third party called Xchanging. Within Xchanging there is:

XIS (Xchanging Ins-sure Services) which manages premium payments and makes sure that premium and reporting information is recorded accurately to enable Lloyd’s to fulfil its overall tax and reporting obligations.

What are the coverholder reporting standards?
Lloyd’s has introduced standards for coverholders to report premiums. Part of the contractual agreement of the binding authority contract is that the coverholder regularly reports the premiums they have collected to the managing agent.

To make this flow of information consistent Lloyd’s has introduced standards for coverholders to report premiums. These standards are mandatory for new coverholders and strongly recommended for all existing coverholders.

What are the benefits of having reporting standards for premium handling?

- A clear statement of the information coverholders need to provide for the whole of the Lloyd’s market
- A consistent list of requirements around which processes and systems can be designed
- Standard information flows into the Lloyd’s market so long as the required information can be produced
- Freedom to use your own systems and technologies

(A detailed explanation of premium standards and reporting can be found in chapter 8 Lloyd’s coverholder reporting standards).

Relevant links and guidance

- More information on taxation and regulation for each territory can be found at:
  http://www.lloyds.com/Crystal

- More information on the standards for premium handling can be found at:
  http://www.lloyds.com/Coverholderreportingstandards
This chapter gives an introduction into claims handling at Lloyd's, what you need to know as a coverholder authorised to handle claims and the appointments process for Third Party Administrators (TPAs) and loss adjusters.

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Claims handling for coverholders
- Background
- What role does a coverholder have with claims handling?
- What are the requirements for a coverholder to obtain claims handling authority?
- What are the different levels of claim handling authority?
- What other parties could be involved when setting up the claims handling authority?
- Who appoints these other parties?
- How does the claims process work?
- When does a claim need to be referred back to the managing agent?
- What are the implications of not doing this?
- What is the process if a claim is declined?
- Which parties are responsible for payment of large claims?
- How does the business process work when handling claims?
- Claim funds
- What are the coverholder reporting standards?

Relevant links and guidance

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Background
Lloyd's seeks to strengthen its reputation for the fast and fair handling of claims by providing excellent customer service in responding promptly and professionally to all claims made against any Lloyd’s policy, worldwide. This chapter outlines the claims handling process relevant to the coverholder distribution channel.

What role does a coverholder have with claims handling?
A coverholder may be given claims handling authority. This will be agreed in the binding authority agreement; typically this agreement will prescribe the circumstances when a claim has to be referred back to the managing agent.

What are the requirements for a coverholder to obtain claims handling authority?
The coverholder has to confirm (via the application process):
• Whether they are applying for claims handling authority on behalf of a managing agent.
• Which entity will be handling claims and details of any potential TPA that may be used.
• That they will have a clear segregation of duties between those who are underwriting and those who are claims handling to prevent conflicts of interest:
  - When the coverholder acts as a broker and an agent
  - Where an individual underwrites risks and agrees claims
  - Where one individual has the authority to both settle claims and issue payments
• That there is an internal audit and peer review process for claims handling.
• There is also an expectation that coverholders will know, based on local conduct of business requirements, what is required from under local regulations and imposed on insurers when handling claims.

In summary the coverholder needs to have the skills, resources and processes to service a claims function to the Lloyd’s required standards. This function will include customer service, assessment of likely exposure to each claim, and the ability to manage information in relation to all claims notified throughout the life cycle of the claims.

What are the different levels of claims handling authority?
The managing agent will work with the coverholder and set a level of authority that they think is appropriate to allow the coverholder to handle claims, dependent on the level of expertise and resources available at the coverholder:
• Full authority - the coverholder has unlimited claim handling authority.
• Part authority – the coverholder has a claim handling authority up to a defined limit (or restrictions within such) and then refers all notified claims that are notified that have a potential value above this limit to the TPA or managing agent to handle.
• No authority – all claims are sent to the TPA or managing agent to handle.

What other parties could be involved when setting up the claims handling authority?
At the point of setting the binding authority agreement up (refer to Chapter 4 – Binding authority agreements), there will be a number of other parties that will be linked to the claims process:

THIRD PARTY ADMINISTRATOR (TPA)
• What is a TPA?
  - A company that specialises in handling insurance claims
• What do they do?
  - TPAs are contracted by the managing agent to handle claims on behalf of managing agents and coverholders, often at the request or on the recommendation of the coverholder.
• If there is a TPA, how does that fit into the binding authority agreement?
  - This will depend on the level of claims handling authority given to the coverholder and agreed in the binding authority agreement in the claims handling procedure.
  - The role of the TPA should be specified in the binding authority.
• **Why use a TPA?**
  • The coverholder may not have the skills, resources or appetite to provide a claim handling service, particularly if there is likely to be a high volume of claims.
  • There should be a contract between the managing agent and the TPA.

• **What is there available for TPAs?**
  • For TPAs there is a model contract available (see link at the end of the chapter) or a standard agreement utilised by the managing agent will be provided.

(It is important that the roles of the coverholder, TPA and managing agent in the claims process are all clearly set out so that they are able to work effectively together).

**LOSS ADJUSTER**

• **What is a loss adjuster?**
  • A person who is appointed to investigate the circumstances of a claim under an insurance policy and advise on the amount that is payable to the policyholder (claimant) in order to settle that claim.

• **How do they fit in?**
  • When a claim needs further investigation and an assessment of the loss confirmed then loss adjusters are used to inspect, work out cause of loss and provide estimated loss figures.

• **How do they tend to be used?**
  • This will depend on who has claims handling authority and also on the terms of the binding authority agreement or TPA agreement, which will specify whether the coverholder or TPA has authority to appoint loss adjusters on behalf of the managing agent.

• **Is there a list of Lloyd’s approved loss adjusters?**
  • No, Lloyd’s would expect the loss adjusters appointed by a coverholder or TPA to be appointed by the coverholder or TPA’s own panel of loss adjusters.

The terms on which loss adjusters and any other service providers are appointed should be documented in the binding authority and should include service levels to achieve the Lloyd’s objective that claims are responded to promptly, efficiently and fairly and valid claims are paid without delay.

**Who appoints these other parties?**

The managing agent is directly responsible for claims handling and ultimately it is their decision as to who is involved in the claims handling process and what their role will be.

It is important that, if the coverholder will not have claims handling authority, a TPA is appointed, and a TPA agreement is in place before inception of the binding authority agreement to prevent any delays in handling future claims.
How does the claims process work?
The policyholder notifies the retail broker of the claim.

The retail broker submits the claim to the coverholder or the TPA if nominated for receipt of notification.

Where the claim is within its claim handling authority, the coverholder will (subject to validation) investigate, authorise and pay claim to the policyholder, and submit details of the claim to the managing agent through their Lloyd’s broker or the TPA if nominated as such.

If the claim is outside the coverholder’s agreed authorisation limit then they will submit the claim to the managing agent via their Lloyd’s broker, TPA or loss adjuster, as outlined in the claims agreement established at commencement of the contract.

The managing agent will communicate to the coverholder their instructions for dealing with the claim, for example to investigate further or to pay. If the managing agent authorises payment to the Lloyd’s broker, payment will be made via Xchanging Claims Services (XCS) and the Lloyd’s central settlement system.

The coverholder or TPA submits the details of the claim to the Lloyd’s broker (either at the end of a specified period, for example, monthly, on a report or bordereau or as and when the claim is notified).

Expert advisers (loss adjusters or lawyers) may be used to advise on the claim throughout the process.

The binding authority agreement will contain the identity of who is handling the claims, and the limit of the coverholder’s claims handling authority, if any. If the coverholder does have claims handling authority the binding authority will also contain the frequency of claim reporting required by the managing agent.

Claims handling process

Insured → Coverholder → Lloyd’s Broker → Managing Agent

Money
Information

Expert advisors - TPAs, loss adjusters, lawyers, etc., will be used throughout the process
When does a claim need to be referred back to the managing agent?
Managing agents set a limit on any authority delegated to coverholders that have claims handling authority. This limit will be based partly on the value of the claim and partly on its complexity. For example, a managing agent is likely to want to deal with any claim that is the subject of a complaint or litigation.

In some jurisdictions, there are very strict regulatory timeframes imposed for responding to and handling claims. A coverholder with claims handling authority is expected to be familiar with all such local regulatory requirements and it is important that these requirements are met and appropriate service levels are in place with any third parties that will impact on the ability of the coverholder to meet the requirements.

What are the implications of not doing this?
The risk of failing to meet regulatory requirements includes damage to the reputation of Lloyd’s, loss of Lloyd’s trading licence, involvement in protracted and costly court proceedings, and exposure to substantial fines or claims for extra contractual damages.

What is the process if a claim is declined?
A coverholder very rarely has authority to decline a claim without referring the matter back to the managing agent.

What should a coverholder do if a policyholder is not happy with the way their claim is being handled?
It is usually a provision in binding authority agreements that any complaints should be referred as soon as possible to the managing agent (via the Lloyd’s broker). There is a formal Lloyd’s complaints procedure which the policyholder is likely to be asked to use.
What is the process for a coverholder to refer claims and issues back to the managing agent?
Claims are referred back to the managing agent normally via the Lloyd’s broker.

Which parties are responsible for payment of large claims?

- **Coverholder** – Payment of claims up to agreed limit (identified within the binding authority agreement)
- **Lead managing agent** – Authorisation and payment of those claims above coverholder limit up to a maximum of £100,000 (or currency equivalent)
- **Lead managing agent and second managing agent** – Authorisation payment of those claims above £100,000 (or currency equivalent)

How does the money move and where does it go?

1. The coverholder or appointed claim specialist checks if the claim is valid.
2. The coverholder then identifies if the claim is within their authority to pay or whether it needs to be referred onto the managing agent via the Lloyd’s broker.
3. If the claim is within the coverholder’s authority and valid, the coverholder pays the claim to the policyholder and then it would go through the reporting process back through the Lloyd’s broker to the managing agent to report that the claim was paid.
4. The coverholder would then use that report to collect the claim from the managing agents as reimbursement.
5. If the claim is not within the coverholder’s authority, then the coverholder will pass on the documentation for the claim to the Lloyd’s broker who will obtain agreement from the managing agent.
6. Once the claim has been agreed by the managing agent, the coverholder will be advised that the claim can be paid. The coverholder would pay the claim and then use the bordereau (reporting) process 1 to claim from the managing agents as reimbursement.
7. The coverholder will deliver a premium bordereau (report) and a paid claims bordereau (report) and ask for funds. In some cases they will net the balances to either remit funds to the managing agent (via the Lloyd’s broker) or ask for funds.

How long does it take once the coverholder has passed the claim to the managing agent?
Once notified to the managing agent and dependent on the circumstances, the claim should be resolved promptly.

How does the money get paid to the coverholder?
Payment is through the claims reporting process via the Lloyd’s broker (see chapter 8 – Lloyd’s coverholder reporting standards).

If there is a problem where does the coverholder need to go?
The coverholder’s first point of contact should be with the Lloyd’s broker who will assist with resolving issues and queries and will speak to the managing agents on their behalf if there is a claims query.

How quickly can a coverholder expect to be advised if a claim is not covered?
Managing agents have a set of principles and standards for claims management, one of which states that they will provide an appropriate level of service to brokers or policyholders in the circumstances of the claim, including communication of actions and progress where appropriate.

If the coverholder wants to find out where the claim is, what should they do?
The coverholder should ask the Lloyd’s broker.

Claims funds

**What is it?**
There are occasions when a coverholder may need to have a claims fund, for example if a coverholder was operating in a territory where there is likely to be a large number of claims because of a catastrophe. The managing agent may provide the coverholder with a pool of money from which they can fund the claims.

**Why do we have it?**
It enables the coverholder to settle within authority and low value claims quicker and faster and reduce the impact of the catastrophe on policyholders.

---

1. See chapter 9 – Reporting and reporting standards
What arrangements must a coverholder have in place for a claims fund?
The claims fund is managing agents’ money and therefore it has to be accounted for properly. The coverholder or TPA, where held by them, must arrange for the money to be held in a separate segregated trust account. The coverholder should also ask the relevant bank to acknowledge the status of the account.

There should be regular statements provided to the managing agent of the balance in the claims fund. The frequency should be specified in the binding authority.

What are the coverholder reporting standards?
Lloyd’s has introduced standards for coverholders to report claims.

These standards are mandatory for new coverholders and strongly recommended for existing coverholders.

What are the benefits of having reporting standards for claims handling?
- A clear statement of the information coverholders need to provide for the whole of the Lloyd’s market.
- A consistent list of requirements around which processes and systems can be designed.
- Standard information flows into the Lloyd’s market so long as the required information can be produced.
- Freedom to use their own systems and technologies.

Detailed explanation of the claims standard and reporting can be found in chapter 8 – Lloyd’s coverholder reporting standards.

Relevant links and guidance
- The model contract for the TPA can be found in the downloads section of: http://www.lloyds.com/The-Market/Tools-and-Resources/Resources/Code-of-practice-for-delegated-underwriting-new
This chapter gives an introduction into the information that is required from the coverholder and the standards Lloyd’s has developed for reporting that information. Lloyd’s coverholder reporting standards are explained, together with their benefits and how they should be implemented.

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Coverholder reporting

• Background
• What information is required from coverholders?
• Why is the information needed?
• How should the coverholder submit the information?
• Does the coverholder have any additional requirements to report to Lloyd’s local offices?

Lloyd’s coverholder reporting standards

• Background
• What are Lloyd’s coverholder reporting standards?
• Why is the information needed?
• New versions of the standards
• What are the benefits of Lloyd’s coverholder reporting standards?
• Next steps

Relevant links and guidance
Background
Coverholders are required to submit information about risks and premiums and about the claims that they handle to Lloyd’s managing agents with whom they have a binding authority contract. The binding authority contract will include details of reporting requirements.

What information is required from coverholders?
The following information is typically required:
• Details of written risks and premiums
• Details of paid premium transactions
• Details of any claims managed by the coverholder
• Details of US property risks

The following are examples of the sort of information needed:
• Policy details – for example: inception date, expiry date, the name of the insured
• Risk information – for example, the class of business and tax and regulatory information
• Details of the premium that is being paid to the managing agent – for example a monthly instalment of premium, additional premium for a change to the policy, return of premium because of a cancellation
• Loss details – for example, the location, cause of loss, the date of the loss
• Status of the claim – for example is the claim paid or outstanding? Has it been referred to the managing agent?

Note - the coverholder need only report on the claims they have managed.

Full details of the information needed are given in the coverholder reporting standards user guide.

Why is the information needed?
Information is needed from the coverholder to ensure that:
• The right money can be moved between the different parties
• Lloyd’s and the managing agent can meet their tax and regulatory reporting responsibilities
• Premiums can be monitored
• Claims can be managed
• Accumulated risk exposures can be managed, for example. if there is an earthquake or flood

How should the coverholder submit the information?
The coverholder may submit the information in a variety of ways:
• By sending a monthly spreadsheet known as a bordereau to the Lloyd’s broker. Lloyd’s has produced recommended spreadsheet templates, but coverholders are not obliged to use these.
• By using a system that has been provided by the Lloyd’s broker or managing agent.
• By sending an XML message which includes all the information needed to the Lloyd’s broker.

The coverholder should discuss the method they wish to use with the Lloyd’s broker and managing agent.

contd.
Does the coverholder have any additional requirements to report to Lloyd’s local offices?

**The Lloyd’s offices**

**Reporting requirements**
In some territories, there is a requirement for the coverholder to report information to the local Lloyd’s office. This information is usually required to enable Lloyd’s to meet its local regulatory responsibilities. Such reporting may include information on risks and claims. Coverholders may also be required to provide certificates or other documents. It is expected that these requirements would be discussed and agreed by the coverholder with the local Lloyd’s office.

**Canada**

**Reporting requirements**
In Canada Lloyd’s provides a system called Lineage which covers Lloyd’s local office information requirements (see chapter 9 – Coverholder systems used by Lloyd’s).

**Local tax authorities**

**Reporting requirements**
In some jurisdictions there is a requirement for the local coverholder to report and pay taxes direct to authorities. Coverholders are expected to work with their local tax authorities, agree any such reporting and make all tax payments due on time.

What are Lloyd’s coverholder reporting standards?

- **Premium reporting standards**
  The premium reporting standards include core information about the risk, information about paid premium transactions and class specific underwriting information.

- **Claims reporting standards**
  The claim reporting standards include information about the loss and status of the claim.

  Lloyd’s premium and claims reporting standards include information which is mandatory and must be provided in all circumstances, and other information which is conditional, dependent on the circumstances of the risk; for example the location of the risk or the location of the insured might be a consideration.

- **US property risks exposure reporting (ACORD ER3001)**
  - The standard includes the information required by managing agents to enable them to manage US property exposures.
  - The standard asks the coverholder to report details of risks in force at the time the report is produced. The standard is very comprehensive and coverholders will not necessarily be expected to include all the information listed. The coverholder needs to agree the information they will provide with their Lloyd’s broker and managing agent.
  - The standard was originally designed for US property business but is also being used in Canada and can be used as a basis for reporting on property risks elsewhere in the world.

Background – Lloyd’s coverholder reporting standards

In order to make the flow of risk, premium and claim information consistent between coverholders and the Lloyd’s market, a series of standards has been introduced for reporting core risk information, paid premium transactions, claims and US property risk exposures.
New versions of the standards
Lloyd’s will periodically release new versions of the standards to include tax and regulatory changes. The most current version of the standards can be found here:-
www.lloyds.com/coverholderreportingstandards

What are the benefits of Lloyd’s coverholder reporting standards?
• A clear statement of the information coverholders need to provide for the whole of the Lloyd’s market.
• A consistent list of requirements around which processes and systems can be designed.
• Standard information flows.
• Freedom to use your chosen systems and technologies.

Next steps
Lloyd’s coverholder reporting standards apply to all territories and classes of business and have been mandatory from 1st April 2011 for all new coverholders approved by Lloyd’s. It is recommended that new coverholders work with their Lloyd’s brokers and managing agents to ensure that the information they submit meets the standards.

Existing coverholders and TPAs are strongly encouraged to use the standards. It is recommended that existing coverholders and TPAs compare the information they currently submit to what is requested by the standards and work with their Lloyd’s brokers and managing agents to agree a plan to meet the standards.

Relevant links and guidance
To access the coverholder reporting standards user guide, go to:
http://www.lloyds.com/coverholderreportingstandards
This document gives an introduction into some of the Lloyd’s systems, namely Atlas, MOCHA and Lineage that are used by coverholders when doing business with Lloyd’s. It explains what they are, why they matter and what coverholders need to know.

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- Who can use Atlas?
- What does Atlas do for the coverholder?
- What does it look like?
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- Who can approve any changes to the coverholder information within Atlas?
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**Relevant links and guidance**

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1. ATLAS

Background
Atlas holds core details about individual coverholders and makes it available only to those managing agents who are writing the coverholder’s business.

Atlas is used to handle the Lloyd’s application process. Additionally, each existing coverholder (and their Lloyd’s broker) use Atlas to hold up to date information about the coverholder (E&O certificate, financial information and latest audit report).

What is Atlas?
Atlas is an online market system for the storage of information about coverholders. It is structured as a collection of individual coverholder records and files, contained within a single system.

This ensures that access to coverholder information is both restricted and secure (only those firms who have a registered relationship with the coverholder can access that coverholder’s information).

Who can use Atlas?
- Coverholders - to access and input only to their record within Atlas.
- Lloyd’s brokers (with registered relationship) – to access the coverholder information only for the coverholders they handle. Lloyd’s brokers have permission to initiate changes to coverholder information when required.
- Managing agents (with a registered relationship) - to access the coverholder information, but cannot initiate changes.
- Lloyd’s – to access the information of all approved coverholders and initiate changes when required.
- Lloyd’s Country Managers – to access the coverholder information on a read only basis.

What does Atlas do for the coverholder?
It allows the coverholder to:
- Apply for their company to become an approved Lloyd’s coverholder.
- Amend the permissions for accepting business by class or territory etc.
- Inform the managing agents and Lloyd’s brokers (with a registered interest) of any change of core information.

- Complete the Annual Compliance Return (see chapter 10 Compliance obligations for more details).

What does it look like?
(For details on this home page and how to use it please see link for the Atlas user guide in the relevant links and guidance section).

Does the coverholder have to use it?
New applicant coverholders have to use Atlas to sign off of their application submission, but they do not have to use it for any other processes (the Lloyd’s broker can use it on their behalf).

Existing coverholders are encouraged to use Atlas but can also ask their Lloyd’s broker to use it on their behalf.

For the Annual Compliance Return the coverholder can upload the information or complete a paper version which they can send to the Lloyd's broker to upload to Atlas on their behalf.
Who can approve any changes to the coverholder information within Atlas?

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</tr>
<tr>
<td>Who approves? Requires approval by Lloyd’s.</td>
<td>What does that mean to the coverholder? The coverholder is able to ensure that their information is correct and has the control to identify and request changes.</td>
</tr>
<tr>
<td>Updating coverholder core information (e.g. professional indemnity, bank accounts, financial information and licences).</td>
<td>Where a coverholder has multiple branches, Atlas allows a single input of financials, PI and licences.</td>
</tr>
<tr>
<td>Who approves? Uploaded by coverholder or the Lloyd’s broker.</td>
<td>What does that mean to the coverholder? Reduces the burden of multiple inputs for the coverholder.</td>
</tr>
</tbody>
</table>

What are the benefits of Atlas?

<table>
<thead>
<tr>
<th>Central and online storage of coverholder information.</th>
<th>Replaces paper based processes.</th>
</tr>
</thead>
<tbody>
<tr>
<td>What does that mean to the coverholder? Reduces the need to provide this information separately for each binding authority.</td>
<td>What does that mean to the coverholder? Documents can be viewed at any stage throughout the process and by other registered parties.</td>
</tr>
<tr>
<td>Builds historical information so coverholder only needs to key in changes and or additions to existing information.</td>
<td>Web based system, therefore it can be accessed from anywhere.</td>
</tr>
<tr>
<td>What does that mean to the coverholder? Reduces duplication of effort when doing Annual Compliance Returns.</td>
<td>What does that mean to the coverholder? Good accessibility and flexibility for the coverholder and those with a registered interest.</td>
</tr>
<tr>
<td>Shows the current status of a new coverholder’s application within the workflow process.</td>
<td>Where can a coverholder get training on it?</td>
</tr>
<tr>
<td>What does that mean to the coverholder? Transparent process which keeps the coverholder updated throughout the application process.</td>
<td>Training is provided through your Lloyd’s broker; however for enquiries, support or more information please contact the Delegated Authorities Team (see relevant links and guidance for details).</td>
</tr>
</tbody>
</table>

There is also a comprehensive Atlas User Guide (see relevant links and guidance for details).
2. MOCHA AND DOPRINT (Italian business only)

Background
It is an Italian regulatory requirement for any Lloyd’s insurance written in Italy by an Italian coverholder that the certificate must have the Lloyd’s Italian General Representative signature on it.

One of the methods for enabling this is a system known as MOCHA.

What is MOCHA?
MOCHA is a web-based system designed by Lloyd’s to assist Lloyd’s coverholders in the issuance of Lloyd’s insurance documentation in Italy.

MOCHA is a system which allows the coverholder to capture policyholder details, risk and premium data which forms the basis of the insurance certificate. In addition compliance with certain key elements of the binding authority is verified before the insurance documents are electronically signed.

Who can use MOCHA?
Access to MOCHA is limited to those who have been granted access via Lloyd’s Italy:
- Coverholders – access and input data.
- Lloyd’s brokers – access applications, receive reports and deal with special acceptance requests.
- Managing agents – access the applications, receive reports and accept or decline special acceptance requests where they are the lead managing agent.
- Lloyd’s – access the applications.

(For details on using MOCHA see relevant links and guidance for the user guide)

What does it do?
MOCHA is primarily for use by coverholders, to enable them to produce insurance documents that are electronically signed and issued, and compliant with certain key elements of their binding authority, when doing Italian business. It is made up of three functions:
- Policy issuance
- Quote management
- Endorsement facility

The binding authority record is activated by Lloyd’s Italy before any risks can be added to MOCHA.

What does MOCHA look like?
### What are the benefits to a coverholder?

| MOCHA allows insurance certificates to be issued in 24-48 hours. |
| What does that mean to me as a coverholder? Quick issue of insurance certificate. |
| MOCHA handles all types of insurance certificates regardless of class of business. |
| What does that mean to the coverholder? MOCHA will capture risk information, irrespective of class of business. |
| MOCHA can be used to issue documents at different stages: draft, quote and final from one set of data input without re-keying. |
| What does that mean to the coverholder? For those coverholders who don’t have a system for underwriting business, MOCHA can be used as a tool to capture and store risk level data and subsequently issue policy documentation. |
| MOCHA makes the user interface available in both Italian and English. The insurance documentation is always in Italian. |
| What does that mean to the coverholder? Documents can be understood by coverholder, Lloyd’s broker and managing agent using Italian or English. |
| Compliance with the binding authority is verified before insurance documents are electronically signed. |
| What does that mean to the coverholder? Each risk is validated against certain key elements of the binding agreement before issuance, ensuring the terms of the binding agreement are not breached. |
| MOCHA provides workflow management for risks falling outside the terms of the binding authority. |
| What does that mean to the coverholder? Enables the coverholder to refer a risk(s) to the managing agent which falls outside of the binding agreement, with a full audit trail. |

### Where can a coverholder get training on it?

Training for coverholders on MOCHA is provided through Lloyd’s Italy (for contact details see relevant links and guidance section).

### Does the coverholder have to use it?

The use of MOCHA is not mandatory. There is an alternative solution called DOPRINT which allows the coverholder to send data and attachments via XML directly from their system or upload the data and attachments using XML via a secure web interface which will populate DOPRINT and produce the signed certificate.
What is DOPRINT?
DOPRINT is a web service that enables Lloyd’s coverholders to print insurance documentation in Italy.

DOPRINT is a system which allows the coverholder to import the relevant policyholder details, premium data and to attach pdf files with risk information and policy wordings which form the basis of the insurance certificate. In addition it provides automated checks of each declaration against certain key elements of the coverholder’s binding authority agreement.

DOPRINT can be accessed either through a web interface or from the coverholder’s own system using the DOPRINT web service.

Who can use DOPRINT?
Access to DOPRINT is limited to those who have signed a DOPRINT user agreement:
• Coverholders – access and import data.
• Lloyd’s has access to the application.

What does DOPRINT do?
DOPRINT is primarily for use by coverholders, to enable them to produce insurance documents that are electronically signed and issued, and compliant with Italian law, when doing Italian business. It is made up of two functions:
• Policy issuance
• Endorsement facility

What are the benefits to a coverholder?

DOPRINT is set up to place new insurance products immediately.
What does that mean to the coverholder?
Quick issue of insurance certificates.

The coverholder can receive insurance certificates without leaving its own system.
What does that mean to the coverholder?
The use of web services enables automated and transparent data and documents flow.

DOPRINT handles all types of insurance certificates regardless of type of insurance.
What does that mean to the coverholder?
DOPRINT will capture risk information, irrespective of class of business.

Bilingual content, DOPRINT makes the user interface available in both Italian and English. The insurance documentation is always in Italian.
What does that mean to the coverholder?
Documents can be understood by coverholder using Italian or English.

Compliance with the binding authority is verified before insurance documents are electronically signed.
What does that mean to the coverholder?
Each risk is validated against certain elements of the binding agreement before issuance, ensuring the terms of the binding agreement are not breached.

DOPRINT provides workflow management for risks falling outside the terms of the binding authority.
What does that mean to the coverholder?
Enables the coverholder to refer a risk(s) to the managing agent which falls outside of the binding agreement, without leaving the system with a full audit trail.

Where can a coverholder get training on DOPRINT?
Training for coverholders on DOPRINT is provided through Lloyd’s Italy (for contact details see relevant links and guidance section).
3. LINEAGE (Canadian business only)

Background
Lloyd’s managing agents are among the largest providers of commercial insurance and reinsurance coverage in Canada, insuring businesses large and small. Lloyd’s has built its success in Canada on its appetite for large and specialty risks and the flexibility it brings to its underwriting approach. Lloyd’s is licensed in Canada for all classes of insurance and reinsurance except life, title, mortgage, credit protection, home warranty (in the province of British Columbia only) and hail in respect of crop (in the province of Quebec only). Coverholders writing Canadian risks must report this using either:
- Lineage
- Xchanging via the Lloyd’s broker
- Non-cash through a service company
- Outside of Xchanging (subject to class of business)

What is Lineage?
Lineage is an online system for reporting and transacting Canadian dollar binding authority business.

What does it do?
- Allows the coverholder to enter risk level information and claims from their office, either through the web or by automatic upload from their underwriting systems to Lineage.
- Once input, Lineage will process the data in one of two ways:
  - If Scheme Canada Lineage provides a clearing service which nets off premiums and claims, pays taxes and then moves the monies to the appropriate eligible settlement parties.
  - If Non-Scheme Lineage provides a clearing service only (monies are distributed through Xchanging via the Lloyd’s broker or other method as agreed between the parties).
- Produces bordereaux for reporting purposes.
- Provides other business intelligence and statistical information.

Who can use Lineage?
Access to Lineage is limited to Lloyd’s Canada and to those individuals who have signed a user agreement and have a registered interest in the individual binding authority agreement:
- Coverholders
- TPAs
- Lloyd’s brokers
- Managing agents

What does it look like?
Does the coverholder have to use it?
Lineage usage is mandatory for automobile and Ontario liability classes of business. For all other classes, usage is optional.

What are the benefits to a coverholder?

<table>
<thead>
<tr>
<th>Bordereaux are produced automatically.</th>
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</thead>
<tbody>
<tr>
<td><strong>What does that mean to the coverholder?</strong></td>
</tr>
<tr>
<td>No need to prepare separate bordereaux.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Lineage provides monthly settlement.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What does that mean to the coverholder?</strong></td>
</tr>
<tr>
<td>Claims are paid on time.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Money moves between the parties automatically (if scheme Canada).</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What does that mean to the coverholder?</strong></td>
</tr>
<tr>
<td>Faster payments.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lineage meets regulatory requirements and provides reporting.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What does that mean to the coverholder?</strong></td>
</tr>
<tr>
<td>Ensures regulatory requirements are met within the agreed timescales.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lineage is a web based system.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What does that mean to the coverholder?</strong></td>
</tr>
<tr>
<td>Easy access.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lineage has 24/7 support through Lloyd’s Canada.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What does that mean to the coverholder?</strong></td>
</tr>
<tr>
<td>System is always available.</td>
</tr>
</tbody>
</table>

Where can a coverholder get training on it?
Training for coverholders on Lineage is provided through Lloyd's Canada (see relevant links and guidance for details).

Relevant links and guidance

**Atlas:**
For information on the background to Atlas, getting started, coverholder application form, login access and latest news go to:
www.lloyds.com/Atlas

Contact details for the Delegated Authorities Team are:
- Atlas helpdesk: +44 (0)20 7327 6276
- Fax: +44 (0)20 7327 6688
- Email: coverholders@lloyds.com

**MOCHA and DOPRINT:**
For information on Lloyd's Italy go to:
http://www.lloyds.com/Lloyds/Offices/Europe/Italy

**Lineage:**
For more information on Lineage and Scheme Canada go to:
http://www.lloyds.com/Lloyds/Offices/Americas/Canada/Lineage-and-Scheme-Canada

For information and contact details on Lloyd's Canada go to:
http://www.lloyds.com/Lloyds/Offices/Americas/Canada
This chapter gives an introduction to some of the key compliance obligations of the coverholder. It explains what they are, why they matter and what the coverholder needs to know. This chapter is not meant to be exhaustive or territory specific and there may be other compliance obligations such as those imposed by local law and regulation. The Lloyd’s broker or the local Lloyd’s Country Manager should be contacted in that regard.

CONTENTS

Compliance obligations

- Background
- How does the annual compliance return process work?
- Does the coverholder have to complete it?
- What are the benefits of completing the annual compliance return?
- When is the annual compliance return due?
- What is the impact and effect of financial crime?
  - Money laundering
  - International sanctions
  - UK Bribery Act 2011
- What is conflict of interest?

Relevant links and guidance

Click to download other chapters

1. Introduction
2. Coverholders at Lloyd’s
3. Lloyd’s offer and expectations
4. Binding authority agreements
5. Certificates
6. Premium handling
7. Claims handling
8. Lloyd’s coverholder reporting standards
9. Coverholder systems used by Lloyd’s
10. Compliance obligations
11. Coverholder audit
12. Understanding regulatory requirements
13. Lloyd’s brand
14. The application process
15. A-Z Glossary
Background
There are a number of compliance obligations for coverholders:

- Completion of the annual compliance return
- Awareness and mitigation of financial crime
- Awareness of prevention of any conflict of interest

How does the annual compliance return process work?
The information which Lloyd’s holds on each of its coverholder’s operation is stored on the system known as Atlas (See Chapter 9 – Coverholder systems used by Lloyd’s).

Coverholder information on Atlas is accessible only to managing agents or Lloyd’s brokers which have a registered interest in the coverholder.

In order for the coverholder to meet Lloyd’s suitability requirements there is an annual check called the annual compliance return. This return is held on Atlas.

Coverholders can complete their return in one of two ways:

- By direct upload to Atlas
- By completing a paper compliance questionnaire (which the Lloyd’s broker then uploads onto Atlas on the coverholders behalf)

There are nine information sections to be completed for the annual compliance

---

Stakeholders
What is it for?
Lloyd’s brokers who have a registered interest in the coverholder are listed here.

Company information
What is it for?
This covers the legal and trading names, addresses, contact details and regulator information.

Ownership
What is it for?
This shows companies or individuals and their total percentage ownership.

---

Key staff
What is it for?
This shows names of key individuals and their authority and responsibility.

Professional indemnity
What is it for?
This shows current professional indemnity information.

Licences
What is it for?
Information on current licences.

Financials
What is it for?
Information on the coverholder’s financials.

Bank accounts
What is it for?
Information on coverholders bank accounts.

Reputation and standing
What is it for?
Declaration of suitability issues.

Submit / cancel
What is it for?
Submit or cancel the Annual Compliance return.

---

Does the coverholder have to complete it?
Periodic checks are made by Lloyd’s to ensure the coverholder’s Annual Compliance Returns have been updated. The status of a coverholder will be reviewed and their Lloyd’s approval could be lapsed or revoked if the return is not provided.
What are the benefits of completing the annual compliance return?
The benefits of submitting the Annual Compliance Return via Atlas are:
• The coverholder is able to see what information is held and who is able to see it.
• The coverholder is asked for the information once a year, rather than from each Lloyd’s broker and managing agent throughout the year.
• The information remains on Atlas so only the changes need to be entered each year.
• Information is only available to Lloyd’s brokers and managing agents that have a relationship with the coverholder.
• Secure storage and distribution of documents, especially compared to email.
• Information is quickly available to new managing agents supporting a coverholder’s binding authority.
• The coverholder can complete it themselves or have their Lloyd’s broker complete it on their behalf.

When is the annual compliance return due?
The coverholder will receive an alert within Atlas (via the Tasks tab) notifying them that the annual compliance return is due.

Atlas also generates a diary note to the Lloyd’s broker advising that the coverholders annual compliance return is due. (see chapter 9 – Coverholder systems used by Lloyd’s).

What is the impact and effect of financial crime?
It is a requirement that Lloyd’s managing agents have appropriate systems and controls in place to mitigate the risk of financial crime. Particular areas of focus are anti-money laundering, international sanctions and bribery act compliance.

Managing agents also have to demonstrate that appropriate systems and controls are in place for those parties acting on their behalf, such as their appointed coverholders.

Money laundering
Money laundering is defined as the process used by criminals to disguise the origin and ownership of the proceeds of their criminal activities so it appears that monies in their possession have come from legitimate sources. This assists criminals to avoid prosecution, conviction and confiscation of their proceeds of crime.

Money laundering occurs in 3 stages:
Stage 1 – Criminal proceeds are physically disposed of (usually as cash).
Stage 2 – The money is distanced from its source by creating layers of transactions.
Stage 3 – The money is reintroduced as ‘clean’ into the financial system.

How does anti-money laundering (AML) compliance impact coverholders?
Coverholders are expected to have written procedures (agreed with the managing agent) and to have implemented the following:
• Appointment of designated individual within the company as the named AML Officer.
• Recognition and reporting of suspicious transactions (including designated individual responsible for AML).
• Staff training and awareness.
• Record keeping.

International sanctions
The scope of international sanctions and the number of sanctions targets is increasing. Sanctions are implemented for a number of reasons, for example to bring about a change in another country’s or individual’s activities or policies; particularly if breaches of international law or human rights have occurred, or democracy is seen to be under threat.

In the UK responsibility for the administration of sanctions falls to HM Treasury whilst other countries will have similar arrangements for example, the Office of Foreign Assets Control in the US.

There are different types of sanctions implemented, which can either be country-specific and include bans on financial transactions and certain types of trade, or they can be targeted at specific entities and or individuals, otherwise known as SMART sanctions.
Regardless of jurisdiction, a criminal offence is committed in the event that sanctions are breached, so if a coverholder makes funds or financial services available to a sanctioned target.

**How do sanctions impact coverholders?**

Coverholders are required to be aware of their obligations in respect of international sanctions, have adequate systems and controls in place to ensure compliance with their local and UK legislation, and can expect audits undertaken by managing agents to include some focus on sanctions compliance.

Coverholders are required to:

- Have controls in place to ensure any sanctions targets within their client base are identified.
- Comply with sanctions disclosure requirements.
- Ensure that no funds or economic resources are made available to a sanctioned person or entity.

**UK Bribery Act 2011**

The UK Bribery Act came into force on 1 July 2011 and provides for four offences: bribing a person, being bribed, bribery of a foreign public official, and failure of a corporate entity to prevent bribery being committed on its behalf. This last offence includes failure of commercial organisations to prevent bribery undertaken by an “associated person” and the only defence which exists is for a commercial organisation to demonstrate that it has “adequate procedures” in place to prevent bribery or corruption.

**What impact does the Bribery Act have on coverholders?**

Under the Act, a coverholder is seen as an associated person of the managing agent. Therefore, managing agents are required to conduct a risk-based assessment of their coverholders, who must also comply with the Bribery Act and have their own anti-bribery adequate procedures in place.

Coverholders also need to be aware of and comply with any local legislation in respect of bribery and corruption.

**Where can I get further information on financial crime?**

Further information on Anti-Money Laundering, International Sanctions and the Bribery Act can be found on the Lloyd’s system known as Crystal (1) (see relevant links and guidance for link).

Lloyd’s Market Bulletin Y4510, provides further guidance on financial crime implications for coverholders and the binding authority contracts entered into with Lloyd’s managing agents. This includes a model “financial crime endorsement” that managing agents are encouraged to include within the binding authority agreement (see relevant links and guidance for link).

A suite of e-learning modules are being made available for coverholders covering:

- Anti-Money Laundering
- International Sanctions
- UK Bribery Act

These will be available on [www.lloyds.com](http://www.lloyds.com)

**What is a conflict of interest?**

The meaning of a “conflict of interest” may vary depending on circumstances or the law that applies to that coverholder. Generally it means any circumstance which may give rise (or could be perceived to give rise) to a situation which may pose a risk of damage to the interests of managing agents or a policyholder, or which may compromise the objectivity of the coverholder’s performance of its obligations.

**How does conflict of interest apply to coverholders?**

Lloyd’s expectations for managing conflicts of interest by a coverholder are as set out in the coverholder’s undertaking to Lloyd’s by which coverholders undertake that they “will manage any conflicts of interest, between ourselves, our customers and Lloyd’s managing agents in a fair and open way.”
What impact does conflict of interest have on coverholders?
Lloyd’s expects all coverholders to (a) establish a conflicts policy (b) operate suitable conflicts management arrangements and ensure those arrangements apply to all key staff (c) ensure appropriate disclosures are made. Managing agents are expected to monitor those arrangements and conflict procedures as part of the coverholder audit.

Examples of managing conflicts of interest could include considering:

- Any issues that may arise if a coverholder acts as a retail broker for the policyholder and an agent for the managing agent.
- Segregating underwriting and claims functions.
- As an agent of the managing agents, disclosing any financial interests in or earnings received from loss adjusters or TPAs.

Relevant links and guidance
For further guidance on anti money laundering and international sanctions go to the resources section of: http://www.lloyds.com/coverholder

For more information on Lloyd’s regulatory requirements including anti money laundering, international sanctions and the bribery act go to: http://www.lloyds.com/crystal
This chapter gives an introduction into the coverholder audit. It explains what it is, why it’s required and what the coverholder needs to know.

**CONTENTS**

**Coverholder audit**
- Background
- What is the reason for the audit?
- What is the audit scope?
- What does it look like?
- Is it mandatory?
- Who selects the auditor?
- Who decides and what are the timescales?
- What does the audit consist of?
- What does the coverholder have to do?
- What are the implications of a coverholder not allowing an audit to happen?
- Who has the key responsibilities?
- How are audits co-ordinated when the coverholder has several binding authorities?
- Who provides the feedback?
- What happens next?

**Relevant links and guidance**
**Background**

Managing agents are required by Lloyd's to have a consistent approach to the audits of all of the coverholders they have. To support and encourage consistency of the audits performed on behalf of the managing agents, Lloyd's is working with managing agents and has developed a menu of audit requirements called the Audit Scope.

**What is the reason for the audit?**

Audit is one of the key assurance mechanisms used by managing agents to make sure that all aspects of a binding authority are operating effectively. Audits also raise areas where coverholders may be able to improve aspects of their business, either to reduce risk or improve efficiency.

**What is the Audit Scope?**

Lloyd's is keen to promote both high standards and consistency in the audit of approved coverholders. To help meet these requirements a working party of managing agents has developed an Audit Scope for coverholder audits. The scope provides a 'menu' of audit requirements from which the managing agent is able to select the relevant sections for a particular audit.

The Audit Scope helps facilitate the co-ordination of audit activity, whereby multiple managing agents can audit the same coverholder at the same time, minimising the disruption to a coverholder’s business.

(see relevant links and guidance at the end of this chapter to access a copy of the Audit Scope).

**Is it mandatory?**

The Audit Scope is not mandated by Lloyd’s. However, Lloyd’s would want to be satisfied that where a managing agent does not use the standard Audit Scope, it has a suitably robust audit process.

**Who selects the auditor?**

The managing agent selects the auditor from their panel of auditors.

**Who decides and what are the timescales?**

The audit cycle for an individual coverholder is determined by the managing agent. Lloyd’s encourages a minimum 24 month audit cycle. However, managing agents will determine audit frequency based on a number of factors. For example, this may be include class of business, premium income, level of underwriting and claims authority delegated and the ongoing level of compliance by the coverholder with the terms of the binding authority contract, such as reporting on risks and premiums payable.

**What does the audit consist of?**

The audit consists of a suitably qualified person attending the coverholder’s offices and undertaking an assessment of the coverholder's adherence to the terms and conditions of the binding authority as well as the suitability of the coverholder's business systems, governance and controls over the risks.

The areas that will be covered by the audit will include some or all of the following (subject to the managing agent’s decision):

<table>
<thead>
<tr>
<th><strong>Review of previous recommendations</strong></th>
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<tbody>
<tr>
<td><strong>What is it for?</strong></td>
</tr>
<tr>
<td>To establish that all previous coverholder audit recommendations have been addressed.</td>
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<table>
<thead>
<tr>
<th><strong>Company</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>What is it for?</strong></td>
</tr>
<tr>
<td>To establish that the coverholder has a management structure in place which allows it to effectively identify and manage risks associated with Lloyd's binding authorities.</td>
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<thead>
<tr>
<th><strong>Reporting – aggregate, risk and premium bordereau analysis</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>What is it for?</strong></td>
</tr>
<tr>
<td>To establish that bordereaux are produced and checked via a system which is fully integrated with the accounting systems or with clearly defined checks and responsibilities to reduce the risk of error.</td>
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<thead>
<tr>
<th><strong>Underwriting authority</strong></th>
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<tbody>
<tr>
<td><strong>What is it for?</strong></td>
</tr>
<tr>
<td>To establish that the coverholder has acted within its authority and instructions given by the managing agent.</td>
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</table>

*contd.*
### What does a coverholder have to do?
Notification of the audit will normally be via the Lloyd’s broker. The expectations are that the coverholder will make themselves, any key staff and files available. They will also have a room set aside for the auditor to work in and to be as open and co-operative as possible.

### Relevant links and guidance
For further information on the Audit Scope and access to a copy go to:

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<table>
<thead>
<tr>
<th><strong>Documentation</strong></th>
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<tbody>
<tr>
<td><strong>What is it for?</strong></td>
<td>To establish that documents produced by the coverholder are accurate, recorded, signed, produced and despatched in a timely manner and that any decisions taken counter to normal process are documented and managed appropriately.</td>
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<table>
<thead>
<tr>
<th><strong>Accounting and general financial</strong></th>
<th></th>
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<tbody>
<tr>
<td><strong>What is it for?</strong></td>
<td>To establish that the coverholder’s business is managed on a sound financial basis.</td>
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<thead>
<tr>
<th><strong>Accounting transactions specific to file review</strong></th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>What is it for?</strong></td>
<td>To establish that transactions resulting from the relevant binding authorities are managed correctly with a clear audit trail.</td>
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<tr>
<th><strong>Claims</strong></th>
<th></th>
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<tbody>
<tr>
<td><strong>What is it for?</strong></td>
<td>To establish that the claims department and coverholder management act within their authority.</td>
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<thead>
<tr>
<th><strong>IT and data security</strong></th>
<th></th>
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<tbody>
<tr>
<td><strong>What is it for?</strong></td>
<td>To establish that the coverholder has controls and processes to protect data which are to a standard as by the Lloyd’s managing agent.</td>
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<thead>
<tr>
<th><strong>Compliance and governance (including marketing and branding)</strong></th>
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<tbody>
<tr>
<td><strong>What is it for?</strong></td>
<td>To establish that the coverholder has the knowledge resource, controls and processes in place to ensure their Compliance meets the standards expected by Lloyd’s and local regulatory authorities.</td>
</tr>
</tbody>
</table>

### What are the implications of a coverholder not allowing an audit to happen?
If the coverholder did not allow an audit to happen, then Lloyd’s would review the coverholder’s ongoing approval.

### Who has the key responsibilities?
- The managing agent commissions, runs and sets the scope of the audit.
- The auditor conducts the audit.
- The Lloyd’s broker provides the interface between the managing agent, the coverholder and the auditor.

### How are audits co-ordinated when the coverholder has several binding authorities?
Lloyd’s actively encourages the co-ordination and sharing of audit activity by managing agents to minimise coverholder disruption, but does not mandate it.

To facilitate this every quarter Lloyd’s provides each managing agent a list of the other managing agents (and the contacts therein) who have lead binding authority relationships with the same coverholders as them. When they arrange an audit Lloyd’s will encourage them either directly or via their Lloyd’s brokers to contact the other agents to give them an opportunity to join the audit.

### Who provides the feedback and what happens next?
The auditor will normally give an overview of their findings and recommendations to the coverholder at the end of the audit to check for any immediate solutions. The auditor will then report back their findings and recommendations to the managing agent. The managing agent provides feedback to the coverholder usually via the Lloyd’s broker.

The Lloyd’s broker will provide the coverholder with the recommendations and the expected timescales for agreed actions to be completed by.

The coverholder will notify the managing agent in writing when the remedial actions have been completed.
This chapter provides an overview of the regulatory requirements that coverholders are expected to adhere to and introduces the tools that Lloyd’s provides to help coverholders meet relevant regulatory requirements.

CONTENTS

Understanding regulatory requirements
- Background
- What is Crystal?
- What information does Crystal contain?
- Who can use Crystal?
- What are the benefits of using Crystal for the coverholder?
- What does it look like?
- Getting the most from Crystal
- What other tools can help coverholders?
- Who can the coverholder contact for further advice?

Relevant links and guidance
Background
Lloyd's is licensed to underwrite business in certain countries and territories subject to the laws and regulations of those territories.

As licences are granted to Lloyd's as a single trading entity, failure by any one market participant to adhere to the terms of Lloyd's licensing status in each country or territory has the potential to affect Lloyd's trading status for all market participants and ultimately impact the Lloyd's brand and reputation.

In addition, breaching international regulations and fiscal requirements can potentially result in fines or other consequences for those involved.

For this reason, it is essential that market participants including coverholders are aware of the rules and regulations that must be met for each country.

To help meet these requirements and support the writing of international business, Lloyd's provides a number of tools including Crystal, the risk locator and the interactive map.

What is Crystal?
Crystal is a database specific to the Lloyd's market providing:
- Quick and easy access to Lloyd's regulatory and taxation information.
- Key information to support the writing of international business.
- Multiple country and category tailored searches.
- Regular updates on regulatory and fiscal requirements.
- An interactive map that provides a high level summary of Lloyd's trading status worldwide.

What information does Crystal contain?
Crystal contains comprehensive information for each of the territories in which Lloyd's is licensed, including:
- Lloyd's licensing position.
- Details of insurance legislation.
- Requirements relating to international sanctions and trade controls.
- Global insurance tax rates.
- Territory specific requirements including insurance documentation.
- Links to bulletins, news articles and market intelligence.

Crystal also includes basic information for those territories in which Lloyd's is not licensed.

The information on Crystal is updated as and when changes occur to ensure that the very latest information is available to users.

Who can use Crystal?
Crystal contains information which can be accessed by anyone; however, much of the information within Crystal is privileged and restricted to those individuals who are registered on Crystal.

All Lloyd's coverholders can register to access this information.

New coverholders are granted access to Crystal (by Lloyd's) once they have been approved as a coverholder and have access to Atlas. Additional members of staff may register for access to Crystal via lloyds.com/Crystal.

What are the benefits of using Crystal for the coverholder?
Crystal delivers a number of benefits to coverholders:
- It provides clear guidance on the terms of Lloyd's licences around the world and details how the Lloyd's market may trade in a country or territory prior to entering into an insurance contract.
- It enables coverholders to understand the regulatory and fiscal requirements of countries with which they may not be so familiar.
- It enables a coverholder to run tailored searches for key information to support the risks that they are writing in the Lloyd's market.
- It keeps coverholders up to date with changes in international legislation, sanctions and taxation rates that may impact the contracts they enter into on behalf of a managing agent.
What does it look like?

**Home page:**

- **Risk locator**
  Provides guidance on how to identify the legal location of an insured risk

- **QA tools**
  The Quality Assurance Tools provide a reference to Lloyd's contract quality requirements

- **Login or register here**

**Additional information**
These show latest information (what's new), Global Contracts (information on risk in different countries) and Sanctions Information (from around the world)

**Start searching Crystal**
Once location of risk is established, then a tailored search can be run here

**Associated tools**
Access to interactive Map
Getting the most from Crystal

There are two online training packages to help users:

(a) Crystal demo
The interactive Crystal demo provides guidance on navigating and using the Crystal tool, highlighting key features for the benefit of users.

Access the Crystal demo at www.lloyds.com/Crypstaldemo

(b) Crystal Assist
Crystal Assist is an online tutorial. It provides an introduction to the regulatory and fiscal information held within Crystal and demonstrates how it can be used when placing/writing international insurance business.

The tutorial includes a knowledge test that takes 15 minutes to complete and is accredited by the Chartered Insurance Institute (20 CPD points).

Access Crystal Assist at www.lloyds.com/Crystalassist

What other tools can help coverholders?

Risk locator
The risk locator helps to:
- Identify the legal location of an insured risk by class of business.
- Establish which territory’s regulatory and fiscal requirements to consider.
- Give guidance on the legal position in each jurisdiction.

Access risk locator at www.lloyds.com/risklocator

Interactive map
The interactive map provides quick access to:
- Lloyd’s trading position worldwide.
- Lloyd’s representative information and contact details.
- Worldwide market intelligence.

Access the interactive map at www.lloyds.com/Crystal/interactivemap

Lloyd’s regulatory communications
Crystal registered users receive a regulatory newsletter keeping readers abreast of key regulatory developments across the world.

In addition, a “What’s new” report provides details of recent changes to international regulatory and fiscal requirements.

Access the “What’s new” report at www.lloyds.com/whatsnew
Access Lloyd’s regulatory communications at www.lloyds.com/regulatorycommunications

Who can the coverholder contact for further advice?
The primary point of contact for advice and information on Lloyd’s trading status worldwide is Lloyd’s International Trading Advice (LITA).

For quick and easy access to Lloyd’s international regulatory and taxation information visit www.lloyds.com/Crystal

Lloyd’s International Trading Advice (LITA) has a Lloyd’s desk in the Underwriting Room which takes enquiries from the market (including coverholders):

Lloyd’s International Trading Advice
Lloyd’s Desk
Ground Floor, Underwriting Room
Lloyd’s:
Telephone 020 7327 6677
Email LITA@lloyds.com
Website www.lloyds.com/Crystal

Relevant links and guidance
To access, register and login to Crystal and associated tools go to:
www.lloyds.com/Crystal
This document gives an introduction to Lloyd’s brand. It explains how coverholders may refer to Lloyd’s, use Lloyd’s branding on product and corporate marketing materials, and use Lloyd’s branding on insurance documentation.

**CONTENTS**

**Lloyd’s brand**
- Lloyd’s brand
- How does the coverholder write about Lloyd’s and their relationship?
- Which logos can the coverholder use?
- What about local regulatory requirements?

**Relevant links and guidance**
Lloyd’s Brand
Lloyd’s is the world’s specialist insurance market, conducting business in over 200 countries and territories worldwide and is often the first to insure new, unusual or complex risks. Lloyd’s bring together an outstanding concentration of specialist expertise and talent, backed by excellent financial ratings which cover the whole market.

The Lloyd’s brand is its most powerful asset, and it has evolved over centuries. Using it correctly helps to ensure it remains recognisable across the world, and retains its value. Using it incorrectly or inappropriately can mislead customers and dilute its value.

To help ensure that the brand is used correctly, Lloyd’s has produced brand guidelines for approved coverholders.

When using Lloyd’s name or logos, the most important consideration is making sure is that the customer understands exactly who is insuring their risk.

How does the coverholder write about Lloyd’s and their relationship?
You may refer to Lloyd’s on your general and product promotional material. When referring to Lloyd’s, it is important that you use specific phrases to clarify your relationship (or your product’s relationship) with Lloyd’s. This is to ensure that the customer always understands who is insuring their risk.

Which logos can the coverholder use?

1. On promotional material:

You may use the Coverholder at Lloyd’s logo on the home page of your website, business cards and letterheads. You may also use it on product promotional material where the product has been 100% underwritten at Lloyd’s.

2. On insurance policies and documentation:

Arms of Lloyd’s [Image]
Lloyd’s logo [Image]

You can use both the Lloyd’s logo and the Arms of Lloyd’s on official insurance documentation. These may not be edited or changed in any way.

NB: Insurance documentation is defined as documents issued with the authority of Lloyd’s underwriters as evidence of an insurance contract, provided these documents identify only Lloyd’s underwriters as the insurers.

Where a document also refers to an intermediary, then the relationship between the intermediary and Lloyd’s underwriters must be made clear on the face of the document.

What about local regulatory requirements?
The coverholder brand guidelines do not address local insurance regulatory requirements, including advertising restrictions and prohibitions, which may be imposed in some jurisdictions (including the US), on market participants, capital providers and others.

Certain use of the Lloyd’s name and Lloyd’s logo which might be permissible under these general guidelines might nevertheless constitute a violation of local law. In such cases local legal requirements will always prevail.

Relevant links and guidance
To access the coverholder brand guidelines go to: www.lloyds.com/brand

For further information or advice about the Lloyd’s brand, please contact: marketing@lloyds.com
This chapter gives an introduction to the application process for new and existing coverholders. It explains what it is, why it’s required and what the coverholder needs to know.

CONTENTS

Application process

- Background
- Why does Lloyd’s approve coverholders?
- Who is involved in the application process?
- How does Atlas fit into the application process?
- What does the application form look like?
- What is the Lloyd’s application process?
- How long does the application take?
- How does the coverholder know when they are approved?
- How does an approved coverholder add an office?
- How does an approved coverholder add to existing permissions?
- How does a coverholder notify Lloyd’s of any significant changes?
- How are these changes activated?
- Who can approve any changes to the coverholder information within Atlas?

Relevant links and guidance
Background
Lloyd's coverholders require Lloyd's approval, including Lloyd's brokers who act as Lloyd's coverholders. Lloyd's approval will typically permit a coverholder to accept risks and issue documentation on behalf of managing agents in the coverholder's own territory or other authorised regions.

Why does Lloyd’s approve coverholders?
Lloyd’s approves coverholders because Lloyd’s want managing agents to delegate underwriting only to well managed and financially secure coverholders that:
- Are competent to manage business on behalf of managing agents.
- Have a good reputation.
- Comply with local regulatory and Lloyd’s requirements.

This ensures that policyholders’ interests are properly protected and also protects and enhances Lloyd’s reputation in the local territory.

Who is involved in the application process?
All applications must be sponsored by a managing agent and normally also by a Lloyd’s broker. All coverholder applications are handled by the Delegated Authorities team at Lloyd’s.

The applicant coverholder is encouraged to participate in the approval process by entering information onto Atlas, the Lloyd’s system that is used to manage coverholder business. This may also be done on the coverholder’s behalf by the Lloyd’s broker.

Once Lloyd’s receives the following they will review the application:
- A fully completed application on Atlas.
- Supporting letter which details background, assessment and rationale for the application.
- Evidence of due diligence which confirms checks made and issues addressed on the applicant.

Local Lloyd’s country representatives known as Country Managers are usually involved in the review of the application process and may also carry out a visit to the offices of the applicant coverholder.

How does Atlas fit into the application process?
Atlas is an online system that holds coverholder information from the application stage and throughout the time the coverholder has approved status. Atlas is used to make the application to be a Lloyd’s coverholder.

Information on Atlas can only be accessed by the coverholder themselves and those Lloyd’s brokers and managing agents which have a registered interest in the coverholder and the Lloyd's Delegated Authorities team.

(For further details on Atlas see chapter 9 – Coverholder systems used by Lloyd’s).

What does the application form look like?
The online application form on Atlas consists of a series of screens broken down into specific topics:

<table>
<thead>
<tr>
<th>Company information</th>
<th>What is required?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Details of the company name, registration, address and contacts</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business strategy</th>
<th>What is required?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Details of business and business plan.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ownership of the company</th>
<th>What is required?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Details of company ownership.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key staff</th>
<th>What is required?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Details of principal personnel.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reputation and standing</th>
<th>What is required?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Details of reputation, character and financial standing.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lloyd’s and binding authority experience</th>
<th>What is required?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Details of previous binding authorities and/or conducting business with Lloyd’s.</td>
</tr>
</tbody>
</table>
Each topic requires data to be entered into the appropriate fields. Each screen must be completed before the application is submitted to the managing agent, who then carries out its due diligence.

It is very important that an applicant coverholder discloses all relevant information during the application process.

An important part of the application form is the “Coverholder Undertaking” that all applicants for coverholder approval are asked to sign. This Undertaking sets out in clear terms what Lloyd's expects of coverholders when they deal with customers, clients, Lloyd's brokers, managing agents and Lloyd's (for full details on the Coverholder Undertaking - see chapter 3 - Lloyd's offer).

Lloyd's provides additional guidance on completing the application form process. A link to the user guide and an example copy of the application form can be found in relevant links and guidance at the end of this chapter.

What is the Lloyd’s application process?
Overall the application process consists of the provision of required data and supporting information by the coverholder (or its Lloyd's broker) followed by a period of due diligence by the sponsoring managing agent.

In assessing a new coverholder the managing agent needs to consider the suitability criteria for a Lloyd’s approved coverholder, including:

- The suitability of individuals authorised to enter into contracts of insurance, issue insurance documents and agree claims.
- The company’s reputation and standing.
- The company’s ability to operate a binding authority.
- The company’s financial standing.
- The company’s underwriting plan for any proposed binding authority which should be reviewed to ensure that it fits with the managing agent’s strategy.
- The ability of the company to comply with all relevant insurance, fiscal and taxation laws and requirements in the jurisdiction in which it is domiciled, trades or provides services under the binding authority.

Once the managing agent who is sponsoring the coverholder is satisfied with the application, they submit it to Lloyd’s Delegated Authorities team via Atlas. The Delegated Authorities team reviews the information thoroughly, before making their decision as to whether the coverholder is suitable to be approved by Lloyd’s. This usually involves clarifying information and seeking further supporting background information where queries arise.
How long does the application take?
Once Lloyd’s has received a complete application on Atlas, the service standard for approval of the application for a new coverholder is 5 weeks.

How does the coverholder know when they are approved?
The Lloyd’s broker will advise the applicant of progress throughout the approval process and also when they have been approved, following confirmation from the Lloyd’s Delegated Authority Team. The approval from Lloyd’s may specify which countries, classes and other parameters that the coverholder is allowed to operate in.

Applicant coverholders can also check on Atlas, at any time, on the status of their application within the approval process.

Once approved all approved coverholders are listed on the Lloyd’s Coverholder Directory - see: www.lloyds.com/The-Market/Directories/Coverholders

How does an existing coverholder add an office?
Lloyd’s coverholder approval is made at branch level. Any office that requires delegated authority under a binding authority agreement must be approved by Lloyd’s before it starts binding risks. To add an office there is a specific application form which is available on Atlas and must be completed on Atlas.

How does an approved coverholder add to existing permissions?
Any amendments to the existing permissions of a coverholder need to be considered and approved by the Lloyd’s Delegated Authority team. The coverholder should submit any requested changes via Atlas.

When considering extending a coverholder’s approval of additional classes of business, key considerations are:

- Background including the reason for requesting the additional class.
- Capabilities of the coverholder writing the class of business concerned.
- The extent of the underwriting authority to be delegated.

When considering extending a coverholder’s approval for regional extensions, key considerations are:

- Background including the reason for requesting the regional extension and how it will be done.
- Details of licence or regulatory permission.
- Compliance capabilities for the region.

It helps to discuss these with the Lloyd’s broker initially, so that any required supporting information can be provided. However, Atlas does contain clear guidance online as to information requirements.

How does a coverholder notify Lloyd’s of any significant changes?
Lloyd’s expects the coverholder to advise Lloyd’s and their Lloyd’s broker of any material changes to its circumstances, such as ownership, company name, changes to key personnel or any regulatory matters affecting the coverholder and also any other material matters that may impact on the coverholder’s ongoing suitability to be a Lloyd’s approved coverholder.

Significant changes are notified to Lloyd’s via Atlas.
Who can approve any changes to the coverholder information within Atlas?

<table>
<thead>
<tr>
<th>New coverholder application</th>
<th>Relevant links and guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Who approves?</strong></td>
<td>For further details on the application process, application form and guidance notes, go to:</td>
</tr>
<tr>
<td><strong>Extending coverholder existing permissions (e.g. Classes of Business, Regions, Underwriting and Claims)</strong></td>
<td>To access the Suitability Criteria within the Code of Practice – Delegated Underwriting go to:</td>
</tr>
<tr>
<td>Submitted by the Lloyd’s broker and requires a sponsoring managing agent and approval from Lloyd’s Delegated Authorities team.</td>
<td>For information on background on Atlas, getting started, coverholder application form, login access and latest news go to:</td>
</tr>
<tr>
<td><strong>Changing coverholder details (e.g. Company information, Key staff, Ownership)</strong></td>
<td><a href="http://www.lloyds.com/Atlas">www.lloyds.com/Atlas</a></td>
</tr>
<tr>
<td><strong>Who approves?</strong></td>
<td>Also see chapter 9 – Coverholder systems used by Lloyd’s.</td>
</tr>
<tr>
<td>Notified by the coverholder or Lloyd’s broker and requires approval by Lloyd’s Delegated Authorities team.</td>
<td></td>
</tr>
<tr>
<td><strong>Updating coverholder core information (e.g. professional indemnity, bank accounts, financial information and licences)</strong></td>
<td>Contact details for the Delegated Authorities team are:</td>
</tr>
<tr>
<td><strong>Who approves?</strong></td>
<td>• Atlas helpdesk: +44 (0)20 7327 6276</td>
</tr>
<tr>
<td>Uploaded directly by the coverholder or Lloyd’s broker.</td>
<td>• Fax: +44 (0)20 7327 6688</td>
</tr>
<tr>
<td></td>
<td>• Email: <a href="mailto:coverholders@lloyds.com">coverholders@lloyds.com</a></td>
</tr>
<tr>
<td></td>
<td>To access the Lloyd’s coverholder directory, go to:</td>
</tr>
<tr>
<td></td>
<td><a href="http://www.lloyds.com/The-Market/Directories/Coverholders">www.lloyds.com/The-Market/Directories/Coverholders</a></td>
</tr>
</tbody>
</table>
Glossary

- **Atlas** - Atlas is an online system for the storage of information about coverholders. It is structured as a collection of individual coverholder records and files.

- **Annual compliance** - For a company to prove their ongoing suitability to be an approved Lloyd’s coverholder, an annual compliance must be completed on Atlas. The annual compliance process allows the coverholder to confirm and update the basic information that Lloyd’s managing agents use when completing their due diligence before entering into or renewing a binding authority.

- **Audit scope** - The audit consists of a suitably qualified person attending the coverholder’s office and undertaking an assessment of the coverholders adherence to the terms and conditions of the binding authority as well as the suitability of the coverholder’s business systems, governance and controls over the risks.

- **Binding authority** - An agreement between a Lloyd’s managing agent and a coverholder under which the Lloyd’s managing agent delegates its authority to enter into a contract or contracts of insurance to be underwritten by the members of a syndicate.

- **Bordereau** - Often a report used to present information from the coverholder to the managing agent on risks bound, premiums to be paid and claims to be collected.

- **Bribery Act** - The UK Bribery Act came into force 1 July 2011 and provides for four offences: bribing a person, being bribed, bribery of a foreign public official and failure of a corporate entity to prevent bribery being committed on its behalf. This last offence includes failure of commercial organisations to prevent bribery undertaken by an ‘associated person’ and the only defence which exists is for a commercial organisation to demonstrate that it has “adequate procedures” in place to prevent bribery or corruption.

- **Code of Practice (Delegated Underwriting)** - An introduction to delegating underwriting including the relevant terminology and guidance as to the standards Lloyd’s expects of managing agents.

- **Conflict of interest** - Generally means any circumstance which may give rise (or could be perceived to give rise) to a situation which may pose a risk of damage to the interests of the managing agent or a policyholder, or which may compromise the objectivity of the coverholder’s performance of its obligations.

- **Contract certainty** - expectation of the UK regulator, that for Certificates – it refers to the situation where the terms of an insurance or reinsurance contract are agreed before the inception date of the contract rather than being negotiated afterwards. For the binding agreement - it provides that there shall be complete and final agreement of all terms between the parties, before the binding authority incepts.

- **Corporation of Lloyd’s** - The executive of the Council of Lloyd’s, Lloyd’s Franchise Board and their respective committees. The Corporation does not underwrite insurance or reinsurance itself but provides the licences and other facilities that enable business to be underwritten on a worldwide basis by managing agents acting on behalf of members.

- **Country manager** - The Lloyd’s Country Manager represents and promotes Lloyd’s across 25 countries and has excellent local market relationships in the countries they are based in.

- **Coverholder** - A company or partnership authorised by a managing agent to enter into a contract or contracts of insurance to be underwritten by the members of a syndicate managed by it, in accordance with the terms of a binding authority.

- **Crystal** - A database providing comprehensive information for each of the territories in which Lloyd’s is licensed and basic information for those territories where Lloyd’s is not licensed.

- **Crystal Assist** - Crystal Assist is an online tutorial for Lloyd’s market participants. It provides an introduction to the regulatory and fiscal information held within Crystal and demonstrates how it can be used when placing/writing international insurance business.
- **Delegated Authorities Team** - Lloyd’s department responsible for the approval and oversight of Lloyd’s coverholders.

- **DOPRINT** - Is a web service designed by Lloyd’s that enable Lloyd’s coverholders to print insurance documentation in Italy.

- **Franchise** - The Lloyd’s brand, worldwide trading licences, financial strength rating, mutual security and other support services that enable members to underwrite insurance and reinsurance at Lloyd’s on a global basis.

- **FSA** - Financial Services Authority – Set up by the UK government as an independent body responsible for regulating the financial services industry within the UK.

- **International sanctions** - Sanctions are implemented for a number of reasons, for example to bring about a change in another country’s or individual’s activities or policies; particularly if breaches of international law or human rights have occurred, or democracy is seen to be under threat.

- **Lineage** - Lineage is an online system for reporting and transacting Canadian Dollar Binding authority business.

- **LLMIT** - The Lloyd’s and London Market Introductory Test is a multiple choice examination for those who are new to the London Insurance Market, or for those who want to gain a wider understanding of how the market operates.

- **Lloyd’s broker** - A firm that is listed in the register of Lloyd’s brokers maintained under the Intermediaries Byelaw which is permitted to broke insurance business at Lloyd’s. A syndicate can generally only accept insurance business that has been through a Lloyd’s broker.

- **London market / Lloyd’s market** - This term may refer to the place where business is transacted between managing agents and Lloyd’s brokers, or to the syndicates that provide cover at Lloyd’s.

- **Lloyd’s Market Association (LMA)** - The LMA provides representation, information and technical services to underwriting businesses in the Lloyd’s market.

- **Lloyd’s members** - A person (either individual or corporate) admitted to membership of the Society.

- **Loss adjuster** - A person who is appointed to investigate the circumstances of a claim under an insurance policy and to advise on the amount that is payable to the policyholder in order to settle that claim. Loss adjusters are generally appointed by underwriters but sometimes policyholders appoint their own loss adjusters to negotiate claims on their behalf.

- **Managing agent** - An underwriting agent which has permission from Lloyd’s to manage a syndicate and carry on underwriting and other functions for a member.

- **MOCHA** - Is a web-based system designed by Lloyd’s to assist Lloyd’s coverholders in the issuance of Lloyd’s insurance documentation in Italy.

- **Money laundering** - Is defined as the process used by criminals to disguise the origin and ownership of the proceeds of their criminal activities so it appears that monies in their possession have come from a legitimate sources. This assists criminals to avoid prosecution, conviction and confiscation of their proceeds of crime.

- **Policyholder** - The person who is insured under a contract of insurance.

- **Retail broker** - The person who arranges transactions between the buyer (policyholder) and the seller (Coverholder).

- **Scheme Canada** - Lineage process which provides a clearing service which nets off premiums and claims, pays taxes and then moves the monies to the appropriate eligible settlement parties.

- **Standards (reporting)** - Standards for coverholder reporting on risks, premiums and claims on monthly bordereau to managing agents with whom they have a binding authority agreement.
• **STFO** - Lloyd’s Settlement and Trust Fund Operations is responsible for a variety of business-critical functions, most crucially the organization’s settlement function, which settles insurance transaction monies between managing agents and Lloyd’s brokers.

• **Syndicates** - A member or group of members underwriting insurance business at Lloyd’s through the agency of a managing agent or a substitute agent to which a syndicate number is assigned by the Council. Except where it is expressly otherwise provided the several groups of members to which in different years a particular syndicate number is assigned by or under the authority of the Council shall be treated as the same syndicate, notwithstanding that they may not comprise the same members with the same individual participations.

• **Third Party Administrator (TPA)** - a company that specialises in handling insurance claims.

• **Xchanging** - An outsource provider of policy, premium and claims processing services to the Lloyd’s market and others. These services are delivered via its operating subsidiaries, Ins-Sure Services and Xchanging claims services.

• **XIS** - Xchanging Ins-sure Services (Part of Xchanging) which manages premium payments and makes sure that premium and reporting information is recorded accurately to enable Lloyd’s to fulfil its overall tax and reporting obligations.