

Market Bulletin

Ref: Y5125

Title Code of Practice – Delegated Authority

Purpose To announce the release of an updated Code of Practice with details of the changes from the previous version

Type Event

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Related links [Code of Practice - Delegated Authority](#)

This bulletin is for the attention of all Managing Agents involved in writing delegated authority business at Lloyd's. It is also relevant to brokers involved in delegated authority business.

The purpose of this bulletin is to announce the release of an updated Code of Practice – Delegated Authority and to provide details of the changes from the previous version issued in March 2015 (see Appendix 1). This version of the Code applies with effect from September 2017 and is now available on Lloyd's website.

The title has been changed from 'Code of Practice – Delegated Underwriting' to reflect a more consolidated approach between delegated claims management and delegated underwriting, both within the scope of the document and within Lloyd's. Several parts of the Code have been rewritten to incorporate new Lloyd's requirements or to provide additional information and clarification on existing requirements.

This iteration is the final result of over a year's worth of consultation with the market and we thank all of those that took part in this consultation. The initial updates were the expansion of the requirements around line slips and consortia. The feedback we received was extensive and it was clear that if we were to have a QA Tool and reporting standards for line slips and consortia that this would need to be developed in conjunction with the market, so these were removed.

The major piece of feedback we received was that the flow of the document was fragmented and needed rewriting after adding more explicit requirements for line slips and consortia. This has formed the main bulk of the updated changes and therefore we have no intention of issuing a tracked change version as this would be unreadable.

The other major change is the addition of the Ongoing Compliance Oversight initiative that will be starting in 2018 (Parts 2.3 and 5.5 of the Code). The decision papers have been aligned accordingly and signpost the risk-based approach we wish to encourage.

Additionally, changes in formatting, language and style have been made throughout the document.

We received over 400 pieces of individual feedback over this year, and therefore do not propose to publish each item or our response. We have incorporated feedback where appropriate and have logged other feedback received later for the next update.

It is anticipated that Managing Agents will need to devote significant time and resource to reviewing the updated Code and revising their processes to incorporate the new and / or amended requirements. The Delegated Authority Minimum Standards will be kept under review to ensure consistency with the updated Code.

The Code is intended to provide Managing Agents with the necessary information and guidance to meet the Standards. Lloyd's expects Managing Agents to have fully embedded the updated requirements of the Code and, where applicable, the Standards by 31 March 2018. In addition, it remains the responsibility of Managing Agents to ensure that they remain compliant with any other applicable laws and regulations in the relevant jurisdiction. This includes having regard to the relevant FCA / PRA requirements and guidance for outsourcing, including the provisions at SYSC 3.2, SYSC 8 and SYSC 13.1

Again thank you to all those again that assisted with this. We hope that you find it a most improved document and a useful guide for you to utilise.

If you have any questions, please contact the Delegated Authorities Team on +44 (0)20 7327 6275 or coverholders@lloyds.com.

Appendix 1

The sections which include new content or material changes to existing content are outlined below:

1.2	Updated content on Service Company Coverholders.
1.3	Updated content on line slips, including reference to Market Bulletin Y4864 (distribution costs, broker remuneration and additional charges) and the provision of data to following Underwriters.
1.4	Updated content on establishing and processing consortium arrangements, including reference to a new model wording.
Part 2	Coverholder Approval Process moved from Part 11.
2.2	New content on the Full Coverholder Application Decision Paper, including Managing Agent rationale and supporting documentation. Removed content on Letters of Support.
2.3	Section added introducing Ongoing Compliance Oversight.
2.5	Updated content on Regional Approval.
2.6	Updated content on Branch Locations, including clarification of registration and approval process.
Part 3	Delegated Authority Minimum Standards moved from Part 2, with content updated to include line slips and consortia.
Part 4	Minimum Standard UW 1.3.1 moved from Part 3, with heading amended and content updated to include line slips and consortia.
Part 5	Minimum Standard UW 1.3.2 moved from Part 4.
5.4	New content to clarify requirements for Due Diligence at Renewal.
5.5	New content to clarify requirements for Ongoing Due Diligence, with reference to Ongoing Compliance Oversight and binding authority specific arrangements.
5.6	New content to clarify requirements for Following Managing Agents' Due Diligence.
5.7	New content to clarify requirements for Use of a Lloyd's Broker.
Part 6	Minimum Standard UW 1.3.3 moved from Part 5, with heading amended and content updated to include line slips and consortia.
6.2	Added reference to the requirements of Market Bulletin Y4836 (delegating authority to the slip leader to agree amendments to the binding authority agreement).
6.3	Added reference to consortium model wording and Market Bulletin Y4931 (multi-year binding authorities).
6.4	Updated to include line slips and consortia, including new content on Leadership and Rating Transparency, Operation of the Agreement, Authorised Classes of Business, Limits and Aggregates, Broker Remuneration and Deductions, Hold Cover. Reference added to Market Bulletin Y4991 (line slips).
6.5	New content on 9000 numbers and line slip processing.
6.6	Previous Part 8 (Insurance Documents) moved into this section and content updated.

Part 7	Minimum Standard UW 1.3.4 moved from Part 6 and heading amended.
7.3	Section added on Management Oversight and suggested KPIs, to assist Managing Agents in developing portfolio level monitoring and reporting.
7.5	Updated content on Problem Case Monitoring, incorporating requirements of previous Part 12 (Managing Agent Notification Obligation).
7.6	Updated content to include Coverholder Reporting Standards Version 5.
7.7	Section added on reporting to following Underwriters for line slips and consortia.
7.8	Updated content on audits, with section added on audit coordination.
7.9	Non-Renewal and Termination of Binding Authorities moved from previous Part 10 and content updated.
Part 8	Guidance on Regulatory Requirements section added.
8.1	Internet Security moved from Part 6 and content updated.
8.2	Financial Crime moved from Part 6 and content updated.
8.3	Complaints moved from Part 6 and content updated.
8.4	Conflicts of Interest moved from Part 6 and content updated.
8.5	Conduct Risk in Delegated Authority moved from Part 7, with heading amended and content updated for clarity and alignment with the Conduct Minimum Standards. Sections added on Conduct Risk Assessment of Binding Authorities and Due Diligence.
Part 9	Delegated Authority Claims Management moved from Part 9, with heading amended and content updated for clarity.
9.4	Content updated. Added reference to Lloyd's Claims Management Principles and Minimum Standards (MS2 – Claims Management). Added requirement for due diligence at renewal as well as pre-placement.

In addition, new appendices have been added and changes have been made to the existing appendices as set out below:

Appendix 1	Group / Master Policies (minor formatting changes only).
Appendix 2	Full Coverholder Application Decision Paper (new).
Appendix 3	Criteria Guide for Checking Compliance Documentation (new).
Appendix 4	Branch Coverholder Application Decision Paper (new).
Appendix 5	Authorised Remote Worker Declaration (minor formatting changes only).
Appendix 6	Financial Crime (new content to clarify requirements on training).
Appendix 7	Direct Deal Arrangements (unchanged)
Appendix 8	Key Performance Indicators (new)
Appendix 9	Consumer Product Binding Authority Questionnaire (new)