

Market Bulletin

Ref: Y5173

Title	Amendments to the Agency Agreements Byelaw
Purpose	To notify the Lloyd's market of amendments to the Agency Agreements Byelaw ("the Byelaw") and the standard forms of agency agreements made under it
Type	Event
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Date	3 April 2018
Deadline	
Related links	https://www.lloyds.com/~media/files/the-market/operating-at-lloyds/regulation/acts-and-byelaws/byelaws/agency-agreements-byelaw.pdf

At its meeting on 20 March, the Council made the Agency Agreements (Amendment No. 29) Byelaw (No. 1 of 2018) ("the Amending Byelaw"). The effect of the Amending Byelaw is to amend the terms of the Byelaw, and to amend the standard forms of agency agreements¹ which are attached at Schedules 1 to 4 of the Byelaw and every agency agreement for the time being in force on 1 January 2019 with effect from that date.

A copy of the Byelaw, as amended, can be found at the link set out above.

¹ Members' agent's agreement, Agent's agreement, Managing agent's agreement (general) and Managing agent's agreement (corporate member)

The principal reason for amending the Byelaw is to make a change to the managing agent's agreement, in advance of the commencement of business of Lloyd's Insurance Company S.A. ("Lloyd's Brussels") with effect from 1 January 2019. Under the Lloyd's Brussels operating model, managing agents will be acting in two capacities, as agent for Lloyd's Brussels (pursuant to an Outsourcing Agreement) and as agent of the members of their syndicate(s) to which business written on behalf of Lloyd's Brussels by the managing agent will be reinsured. This creates the potential for a conflict of interest to arise as regards the managing agent's duties to its principals.

To address this issue amendments have been made to the managing agent's agreements, by which syndicate members will acknowledge that the managing agent has duties to Lloyd's Brussels and agree that in the event of any conflict that cannot be mitigated or resolved, the managing agent's duties to Lloyd's Brussels will take precedence over those to the syndicate members. Whilst it is necessary to cater for this eventuality, it is considered unlikely that such a conflict would arise. As all business to be underwritten on behalf of Lloyd's Brussels by a managing agent will be reinsured to that agent's managed syndicate(s), so that the risk/reward continues to reside ultimately with the syndicate, the interests of the parties are aligned.

Amendments have also been made to the Byelaw to formalise the circumstances in which capacity may be transferred between connected Lloyd's members as 'family transfers', and also for the purposes of updating statutory and Byelaw references, name changes and boilerplate provisions.

Lloyd's consulted with the LMA, members' agents and ALM in relation to the Byelaw amendments, and has also notified the PRA and FCA in accordance with its regulatory obligations. No objections or substantive comments were received in relation to the proposals.

Further details of the Byelaw amendments can be obtained from Simon Hardy in Lloyd's Legal Department (simon.hardy@lloyds.com).