

<b>Title</b>	A new approach to third party oversight - Consultation
<b>Purpose</b>	To provide details of a consultation by Lloyd's on a proposed new approach to third party oversight and changes to the Intermediaries Byelaw and related Requirements.
<b>Type</b>	Event
<b>From</b>	Paul Brady, Head of Policyholder & Third Party Oversight Performance Management Division
<b>Date</b>	30 January 2019
<b>Deadline</b>	Responses to consultation to be provided by 15 April 2019
<b>Related links</b>	<a href="http://www.lloyds.com/a-new-approach-to-third-party-oversight">www.lloyds.com/a-new-approach-to-third-party-oversight</a>

Lloyd's is today beginning a consultation on its proposed new approach to third party oversight (primarily relating to coverholders and TPAs). We believe these changes will modernise our current arrangements, support reduced compliance costs, reflect modern distribution methods and allow us to take a more risk-based approach to oversight. Because these changes will also require us to make amendments to our byelaws, we are using the consultation to invite feedback on those proposed rule changes.

Our consultation covers the proposed framework and the required amendments to our byelaws and related requirements. In due course we will publish more detailed rule updates, to be set out in a revised 'Code of Practice – Delegated Authority'. Those new rules will implement some of the changes we are outlining in the consultation.

To support the changes, Lloyd's will also, at the same time as implementing these changes, be starting the roll out of its new integrated online system, known as Chorus. This will replace the current ATLAS and BAR systems. Chorus is being delivered as part of the LM TOM programme and the programme team will work with user firms to aid adoption.

You can read our consultation document and see the proposed byelaw changes by visiting our website at [www.lloyds.com/a-new-approach-to-third-party-oversight](http://www.lloyds.com/a-new-approach-to-third-party-oversight).

## What changes are we making to our oversight framework?

Our detailed proposals are set out in our consultation document: 'A New Approach to Third Party Oversight', which explains the changes we are making and our reasons. The key areas of proposed change are:

- 1** The implementation of a new risk-based approach, in particular to the way we approve applications. Approvals for more straightforward applications, including certain changes to permissions, will in some cases now be automated to be dealt with on the new system without the need for a member of the Lloyd's PMD team becoming involved.
- 2** We propose to bring claims third party administrators (TPAs) into the scope of Lloyd's oversight so that they will require Lloyd's prior approval before appointment. They will also be subject to Lloyd's ongoing oversight, consistent with the arrangements already in place for coverholders. We believe this will improve oversight and reduce much of the duplication and inconsistency in approach that TPAs are presently experiencing. All existing TPAs will be grandfathered so they will not need to go through an initial approval process.
- 3** We are proposing to introduce into our rules a new category of firm that can have delegated authority without first obtaining prior Lloyd's approval to be a coverholder or TPA. In the first instance, this will be limited to allow underwriters to appoint 'distributors' to write high volume, low individual premium risks, where the terms and rates are pre-set. This new category will not take away from the role currently played by coverholders but will make our rules more flexible and will allow opportunities for Lloyd's syndicates to access business that does not presently fit well into our coverholder model. Our updated Code will set out the detailed requirements.
- 4** We are proposing to remove the current strict prohibition on sub-delegation. We continue to view sub-delegation as undesirable in most cases but it is clear that there are times where it should be allowed, if appropriately controlled. This particularly can be the case where coverholders wish to sell products through 'distributors' or well controlled online portals, which can involve a limited element of sub-delegation.

We believe that our proposals will not only support good oversight but they are also integral to supporting the 'ease of doing business' objective for delegated authority business at Lloyd's.

## How to respond to the consultation

We would like feedback from market participants on our proposals. If you are interested in providing feedback, go to [www.lloyds.com/a-new-approach-to-third-party-oversight](http://www.lloyds.com/a-new-approach-to-third-party-oversight), where you can find out more about our proposals and how to submit your feedback. Alternatively, you can contact [Coverholders@lloyds.com](mailto:Coverholders@lloyds.com) for more information. All responses must be provided by 15 April 2019, when the consultation will close.