

FROM: Head of Admissions EXTN: 5743  
DATE: 12 August 2005 REF: Y3609  
SUBJECT: **UK restricted coverholders**  
SUBJECT AREA(S): Launch of the register of restricted coverholders  
ATTACHMENTS: Restricted Coverholder web-site overview

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ACTION POINTS: **Managing agents to populate of the register of restricted coverholders**  
DEADLINE(S): **31 October 2005**

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Under the Delegated Underwriting Byelaw, Lloyd's committed to implement a register for (UK) restricted coverholders. This register has now been successfully designed and is ready to be launched across the Lloyd's market.

Managing agents should now populate the register with the names and details of their existing restricted coverholders with whom they have a restricted binding authority by 31 October 2005. Thereafter, any new relationships should be recorded by the managing agent when they are commenced. Managing agents should then make sure all records of their restricted coverholders remain up to date.

We have developed the register by working with the managing agents with the largest number of restricted coverholders. We expect the majority of the remaining managing agents will have between 20 and 50 entries each to add. Once their restricted coverholders have been entered on the web-site, managing agents will benefit from automated e-mails advising them of significant changes to their restricted coverholders' FSA status.

The web-site has been designed to use the same access mechanism and user administration as the existing Binding Authority Registration (BAR) web-site.

### **Actions required**

Set out in the attachment to this bulletin are the steps that managing agents will need to take in order to use the new web-site. In particular, the following key actions are required by you:

- Please ask your BAR web-site devolved administrator ("super-user") to arrange for relevant members of your staff to have access to the restricted coverholders web-site. (We are providing the necessary technical guidance notes direct to super-users.)
- You should then enter on the web-site the names of all restricted coverholders, and the data requested in respect of them and their restricted binding authorities, by no later than **31 October 2005**.

This bulletin has the support of the LMA and has been sent to all managing agents, active underwriters, accredited Lloyd's brokers, Market Associations, the ALM, XIS and, for information purposes to all recognised accountants.

Please would managing agents ensure that this bulletin is circulated to all members of staff involved in leading and administering restricted binding authorities.

**Who to contact**

If you have any questions about restricted coverholders or the use of this web-site, please contact:

Steve Draper (tel 020 7327 6064 / email [Steve.E.Draper@lloyds.com](mailto:Steve.E.Draper@lloyds.com) )  
Alice Ramsay (tel 020 7327 5137 / email [Alice.Ramsay@lloyds.com](mailto:Alice.Ramsay@lloyds.com) )

A handwritten signature in black ink that reads "Matthew Chandler". The script is cursive and fluid.

Matthew Chandler  
Head of Admissions

**RESTRICTED COVERHOLDERS WEB-SITE – AN OVERVIEW**

Full details of the restricted coverholders website are contained in its Help pages.

**1 What are “restricted coverholders”?**

- 1.1 Restricted coverholders are UK firms who enter into contracts of insurance on behalf of Lloyd’s underwriters, but who are not required to be approved as coverholders. Their restricted binding authorities do not need to be registered on the Binding Authority Registration (BAR) website but details of the restricted coverholders will now be required to be entered on the separate web-site for the register of restricted coverholders.
- 1.2 The full definitions of restricted coverholder and restricted binding authority, along with a definition of “liability business” may be found in the Definitions Byelaw. For your convenience, the definitions of restricted coverholder and restricted binding authority can be paraphrased as follows<sup>1</sup>:
- a) The restricted coverholder must be a company whose registered office is in the UK or a partnership based in the UK; and
  - b) must have the FSA’s permission<sup>2</sup> to act as an insurance intermediary. This permission may be either as an authorised company or as an Appointed Representative of an authorised company; and
  - c) must enter into a contract directly with the insured or issue the insurance documents to the insured (ie not a “hub” or a wholesale coverholder, which need Lloyd’s approval. If any such relationship still exists please contact the Coverholders department’s Help Desk (020 7327 6275 or [Coverholders@lloyds.com](mailto:Coverholders@lloyds.com)) to discuss approval of these coverholders through grandfathering);

The restricted binding authority must:

- d) prescribe the terms and conditions to be included in each contract of insurance to be entered into by the restricted coverholder; and

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<sup>1</sup> 1.2 (a) to (f) inclusive are for guidance only, and should not be read as a substitute for the formal definitions.

<sup>2</sup> Exempt professional firms: These firms are members of recognised professional bodies who, by virtue of that membership, are not required to have “Part IV” permission. Exempt professional firms may be appointed as restricted coverholders but at present you can not record a relationship with them on the restricted coverholders web-site. We will advise you as and when these firms are added to the FSA register.

# 1 What are “restricted coverholders”? (Continued)

## 1.2 (Continued)

- e) contain comprehensive arrangements for the determination of the premium to be charged in respect of each contract of insurance to be entered into under the binding authority which do not afford the restricted coverholder or any third party any material discretion in the calculation of the premium or any adjustment to it; and
- f) must be restricted to:
  - UK insureds, and
  - one or more of the following 4 classes of business:
    - UK property
    - UK motor vehicles
    - travel or holiday (4 months or less)
    - liability business (defined in the Definitions Byelaw as “a risk where an insured is liable to a 3<sup>rd</sup> party as a result of or caused by any act, error, omission, representation or statement by the assured”)

## **2 Registering restricted coverholders**

- 2.1 With effect from 15 August 2005 a new on-line register for UK restricted coverholders will be introduced. From that date, the capability will exist for all UK restricted coverholders who are authorised by the FSA (or are appointed representatives of authorised firms)<sup>2</sup> to be recorded on-line by the managing agents who lead their restricted binding authorities.
- 2.2 Managing agents that lead restricted binding authorities are asked to record all their restricted coverholders on the new secure website -

<https://restrictedcoverholders.lloyds.com>

between its launch on 15 August 2005 and **Monday 31 October 2005**.

### 3 Registering restricted coverholders – an overview

- 3.1 With in excess of 5,000 UK restricted coverholder records having to be entered and maintained on the register, to avoid an undue burden on managing agents an electronic solution was sought.
- 3.2 Lloyd's obtains a weekly download of FSA data, from which managing agents can easily select the restricted coverholder to be registered. If a firm is not on the FSA down-load, it cannot be registered as a restricted coverholder and it may not be eligible as a restricted coverholder. (Please note that it is a requirement for a restricted coverholder to be authorised by the FSA, or an appointed representative of an authorised firm.<sup>2</sup>)
- 3.3 The FSA data shows only the head office address of each firm. The restricted coverholders web-site therefore only holds one record per restricted coverholder, irrespective of how many offices of that firm have restricted binding authorities.
- 3.4 Managing agents are asked to answer the following 9 questions for each of their restricted coverholders. These questions allow Lloyd's to understand and profile the risks posed by each restricted coverholder:
  - Q1 "Please confirm that you are satisfied that this firm is eligible to be recorded on this register as a restricted coverholder."
  - Q2 "Will you be entering into a restricted binding authority with this firm?" (As opposed to a binding authority which requires registration and the coverholder to be approved)
  - Q3 "How many offices of this restricted coverholder will enter into contracts under your restricted binding authorities?" (The drop-down box allows a choice of broad bands covering a number of branches)
  - Q4 "On behalf of which of your managed syndicates will you delegate authority to this firm under restricted binding authorities?" (Select one or more from a drop-down list of your syndicates)

Then for each syndicate please answer questions 5 to 9:

- Q5 Identifies the routes through which you intend to manage the restricted coverholder, including the names of any placing Lloyd's brokers (or service companies), along with any wholesale coverholders and their contract numbers (all from drop-down lists).
- Q6 Classes of business (choice of one or more of the 4 classes allowed).
- Q7 Gross premium income (choice of one of 3 premium income bands)
- Q8 Whether the restricted coverholder has the ability to settle claims, and, if so, the level at which they have to refer claims to underwriters (choice of one of 3 claims bands).

### **3 Registering restricted coverholders – an overview (Continued)**

#### 3.4 (Continued)

- Q9 Whether the documentation issued by the restricted coverholder clearly identifies you as the insurer and, if not, the contract reference number used in its documentation.

For Questions 5 to 9, if there is more than one office, the answers should be aggregated for the restricted coverholder as a whole.

- 3.5 If the restricted coverholder has already been recorded on the website by one managing agent, any other managing agent wishing to grant them a restricted binding authority must record its interest. The process is identical to that used for registering a new restricted coverholder.
- 3.6 If the FSA data for a restricted coverholder changes (name, address, authorised status or loss of FSA permissions) the web-site will generate automatic e-mails to the managing agents who have recorded their interest on the web-site. Please note that, particularly with apparent loss of status or permissions, managing agents should always make their own enquiries to confirm this.
- 3.7 Managing agents are responsible for the ongoing maintenance of the details they record. There is an ongoing obligation on managing agents to keep the register up-to-date.

## **4 What you need to do to use the new web-site**

### **Step 1 – Computer requirements**

- 4.1 The PCs that you use to view or register restricted coverholders will need access to the internet and be of at least the minimum specification required for access to the BAR website as follows:
- Screen resolution setting – recommend 1024 x 768
  - Modem 56k (of course, users may be connected to the internet via a server)
  - Browser – IE5.5 or later, or Netscape6+ or later
  - Operating system – Windows 98, Windows NT or above
  - Memory – 64MB over and above operating system, or higher if specified by the user's operating system
  - Processor speed – 333 MHz
  - 128 bit encryption.

Please note that it may not be possible for Lloyd's IT Group to help in solving any technical problems if the above specifications are not met.

### **Step 2 – User-Agreement and getting started**

- 4.2 Managing agents are already signed up as users of the BAR website, so no additional agreement is necessary in order to use this new web-site.
- 4.3 Managing agents' super-users will already know how to add individuals as users of the BAR website. The process for adding users of the restricted coverholder's web-site is almost identical. Super-users are being forwarded relevant guidance notes. Should you wish to nominate a new super-user to take responsibility specifically for the register of restricted coverholders please contact the Coverholders helpdesk on 020 7327 6275.
- 4.4 Managing agent users can access the new website at the following URL:  
<https://restrictedcoverholders.lloyds.com>

## 5 Website training and Help facilities

5.1 The feedback we have received from our market testing is that the website functions are self-explanatory and straightforward to use. We have therefore decided it is not necessary to provide specific training.

5.2 Any users with difficulties are recommended to take the following action:

- (a) In the first instance, use the **on-line help screens** (these are available for every website function);
- (b) If there are remaining questions, please **contact the super user for your managing agency** for assistance.
- (c) If the super-user cannot resolve the problem, then the following action should be taken:

**If the user cannot access the web-site at all** – the super user should contact Lloyd's IT Group's Help Desk (020 7327 5333 or [ITG Customer Support Centre@lloyds.com](mailto:ITG.Customer.Support.Centre@lloyds.com))

If, however, the user has **managed to get as far as the web-site's "Home" page but then encounters a problem**, the super user should contact the Coverholders department's Help Desk ( 020 7327 6275 or [Coverholders@lloyds.com](mailto:Coverholders@lloyds.com) ).

## 6 Managing agents' obligation to maintain up to date information about restricted coverholders

- 6.1 Changes of restricted coverholders' names and addresses (head office address only) are made automatically following any changes in the FSA's data. Automatic e-mails are sent to managing agents advising such changes. No maintenance is therefore required.
- 6.2 Automatic e-mails will also be sent out where changes in the FSA data suggest that a firm's FSA status may have changed, or some of its permissions removed. These e-mails should not be taken as confirmation that a restricted coverholder's status has altered; managing agents should make their own enquiries of the FSA or the restricted coverholder.
- 6.3 Some of the information is held within broad bands (e.g. number of branches, premium income, claims settling authority) and perhaps therefore require only occasional maintenance.
- 6.4 If any of the information recorded by the managing agent needs to be changed, the user should choose the "Maintain relationship" route from the "Home" page.
- 6.5 The "Maintain relationship" route should also be used if the managing agent wishes to show its relationship with the restricted coverholder as terminated.
- 6.6 At the request of some managing agents, we have added a "Suspend relationship" facility which allows managing agents to identify those restricted coverholders with whom they are uncertain about maintaining an ongoing relationship. This was added solely for managing agents' own relationship management purposes, and does not affect the operation of the website.
- 6.7 To assist managing agents in the management of the data, there is a bulk amend facility ("Bulk Functions" on the "Home" page) and a small range of on-screen reports ("Reports" on the "Home" page). All reports can be exported to XML (XL compatible) spreadsheets.
- 6.8 Managing agents should update their records as and when there are changes affecting the data held. **Each managing agent should implement a procedure to review and update the restricted coverholder record at least at expiry of a restricted binding authority.** Managing agents are responsible for maintaining their own records, Lloyd's will not send out reminders.

## **7 Lloyd's brokers' access**

- 7.1 When creating and maintaining restricted coverholder records, the names of any firms of Lloyd's brokers who place the restricted coverholder's binding authorities, or act as placing broker for wholesale coverholders are recorded. Relevant e-mails (re new restricted coverholders, changes of name / address, change of FSA status or lost permissions) are automatically copied to those Lloyd's brokers.
- 7.2 Lloyd's brokers do not at present have any access to the restricted coverholders web-site. It is intended that in due course they may have read-only access to the restricted coverholder records (name and address only) where they act as a placing broker for the restricted or wholesale coverholder.

## **8 E-mail recipients**

- 8.1 All automated e-mails are addressed to the person already nominated by the managing agency to receive automated e-mails from the BAR website.

## **9 Future developments**

- 9.1 There are no plans to increase the amount of information requested in respect of restricted coverholders.

## **10 Other recommended reading on restricted coverholders and restricted binding authorities**

### **Delegated Underwriting Byelaw**

Part A – Delegation of authority to enter into contracts of insurance - Para 1(c), (d), and (e)

Part A – Delegation of authority to issue insurance documentation – Para 3(d), (e), and (f)

Part B – Register – Paras 5(b), 6 & 7

Part D – Restricted coverholders – Paras 21 to 29

Part G – 3<sup>rd</sup> party administrators – Para 36

Part I – Acceptance of business – Para 39

Part I – Managing agent's obligations – Para 43 and 44

Part I – Commencement – Paras 58 and 59

### **Underwriting Requirements**

Chapter 2 – Register, and inspection of – Paras 1, 2 and 3

Chapter 2 – Applications – Para 8

Chapter 2 – Eligibility criteria<sup>3</sup> - Para 9

Chapter 2 – Requirements relating to binding authorities and restricted binding authorities – Para 10

Chapter 2 – Requirements relating to restricted binding authorities only – Para 12

Chapter 2 - Insurance documentation – Paras 15 and 16

Chapter 2 – TPA agreements – Para 17

### **Managing Agent's Code of Practice for Delegated Underwriting**

Various sections and paragraphs

### **Definitions Byelaw**

Definitions of restricted coverholder, restricted binding authority and liability business<sup>3</sup>.

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<sup>3</sup> The eligibility criteria and definitions are also set out on certain Help pages on the restricted coverholders web-site.