

Market Reform Contract (Master and Group Policies) Implementation Guide

Version 1.0
October 2015

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1 Document Revision/Change History

Version	Date	Description of Change
1.0	October 2015	New MRC standard published, that can be used for the placing of Master and Group Policies, as an alternative to the full MRC (Open Market) standard.

2 Introduction

2.1 Purpose of the Guide

To define the Market Reform Contract (MRC) standard for Master and a Group Policy, that has been prepared on behalf of the London Market Group (LMG) and which is mandated for Lloyd's by the Franchise Board.

2.2 Background

Standards for placing documents are agreed with Market Associations and Lloyd's and published on behalf of the LMG.

Practitioners should also familiarise themselves with the Lloyd's 'Code of Practice for Delegated Underwriting Arrangements' ("the Code") – which sets out Lloyd's requirements for writing Master/Group Policies - available at: www.lloyds.com/coverholders

The Lloyd's Market Association has also produced an accompanying guidance note for placements of Master/Group Policies in the Lloyd's market together with a model General Terms and Conditions and Evidence of Insurance. These can be found on the [LMA website](#).

3 Business Objectives and Expected Benefits

3.1 Scope

A Master Policy (also referred to as a Group Policy) is an insurance contract issued to a master (or group) policyholder who purchases the insurance to provide the benefit of insurance cover for others, usually individuals. The parties who have the benefit of the cover ("Covered Party," sometimes referred to as an insured party), however, are not parties to the insurance contract (although the master/group policyholder may also be a Covered Party under the master/group policy).

The MRC (Master and Group Policies) standard is suitable for use for all Master and Group Policies placed in the London Market.

The standard may be used immediately. However, this will become the standard for London Market Master and Group Policies incepting on or after 1 April 2016.

This standard defines the **minimum** content of an MRC (Master and Group Policies) submission. Subject to the guidance in this standard, for a particular submission **any** of the MRC (Open Market) sections and headings may still be required, at the discretion of the broker and insurers.

Except as provided for in this document, the usage of headings within this standard is the same as that within MRC (Open Market) version 1.6 and this document should be read in conjunction with that publication (see www.londonmarketgroup.co.uk).

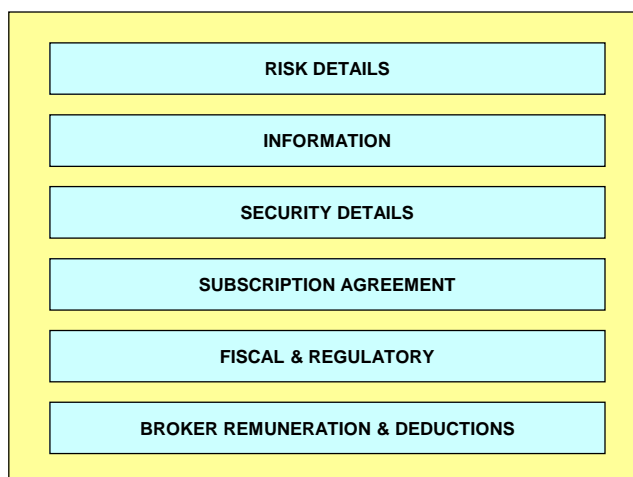
3.2 Benefits

This standard provides a market-agreed approach to the placement of master and group policies. It therefore allows brokers and insurers to identify the minimum required data. Such a standard promotes the efficient processing of this business.

4 MRC (Master and Group Policies) – Mandatory Sections

4.1 Document Sections

The sections that **must** appear within the MRC (Master and Group Policies) are as follows:



This document specifies the minimum required content within the RISK DETAILS sections of the MRC (Master and Group Policies) standard.

The other sections, which are the INFORMATION, SECURITY DETAILS, SUBSCRIPTION AGREEMENT, FISCAL & REGULATORY and BROKER REMUNERATION & DEDUCTIONS sections should be completed in accordance with the guidance given for open market placements, as set out in the MRC (Open Market) Implementation Guide.

Further detailed guidance on Document Sections and Layout is set out in Section 4 of the MRC (Open Market) Implementation Guide. That guidance also applies to Master and Group Policies.

4.2 Further Information

For further information on the MRC (Master and Group Policies) please contact:

Type of Query	Contact	Address
LIIBA Members	Mark Knight – LIIBA Tel: 020 7280 0153 Email: mark.knight@liiba.co.uk	78, Leadenhall St LONDON EC3A 3DH
Lloyd's Insurers	Adrian Graham - LMA Tel: 020 7327 3333 Email: adrian.graham@lmalloyds.com Alison Colver – LMA Tel: 020 7327 8370 Email: alison.colver@lmalloyds.com	Gallery 4 Lloyd's 1 Lime Street LONDON
IUA Insurers	Louise Day – IUA Tel: 020 7617 4448 Email: louise.day@iua.co.uk	Suite LG1 LUC 3 Minster Court LONDON
General Queries	Chris Buer - LMGS Tel: 020 7327 5199 Email: chris.buer@londonmarketgroup.co.uk	Gallery 6 Lloyd's 1 Lime Street LONDON

5 MRC Example – Minimum Content

The following pages provide an example of the **minimum content** for a MRC (Master and Group Policies) submission. Other sections and headings may be required for specific Master or Group Policies. Appendix A provides additional guidance on the completion of the fields.

THE CONTRACT DOCUMENT

Items in italics are for information only and should not be shown in a real contract

(A front page or wrapper may be added by the broker. Irrespective of whether such a page is used, this page below will always be page one of the contract)

Risk Details:

UNIQUE MARKET

REFERENCE : B0999ABC123456789

TYPE: Master Policy/Group Policy

MASTER/GROUP

POLICYHOLDER: XXXX Association of Great Britain

ADDRESS OF

MASTER/GROUP

POLICYHOLDER: 1, Main Street, Anytown, United Kingdom

ADMINISTRATOR XXXX Limited

ADDRESS OF

ADMINISTRATOR: 9, High Road, Highchester, United Kingdom

ENTITY ISSUING

THE EVIDENCE OF

INSURANCE: XXXX Limited

COVERED

PARTIES: All members of the XXXX Association of Great Britain

or

Participating members of the XXXX Club, United Kingdom

BUSINESS:

To represent the interests of the members of the association in the area of XXXX and to provide training and opportunities for the sharing of information between members.

FORMAT OF EVIDENCE OF INSURANCE

In the format attached

or

LMA3135

PERIOD:

**(1) MASTER/
GROUP POLICY
PERIOD**

Effective from: 1 January YYYY at 12:01am GMT
To: 1 January YYYY at 12:01am GMT

**(2) COVERAGE
PERIOD**

(State here the period of coverage given to Covered Parties. The following are examples that may be used:)

From the date that coverage is confirmed to the Covered Party until the expiry of the Master/Group Policy Period provided that the Covered Party remains a member of the XXXX Association of Great Britain

or

XX months from the date that coverage is confirmed to the Covered Party

INTEREST:

Public Liability for each covered member of the Association

**LIMITS
APPLICABLE
TO COVERED
PARTIES:**

GBP 10,000 any one occurrence.

**EXCESS
APPLICABLE
TO COVERED
PARTIES:**

GBP 100 any one occurrence.

SITUATION:

United Kingdom

CONDITIONS:

LMA 5239 Master Policy General Terms and Conditions
LMA 3100 Sanction Limitation and Exclusion Clause

CLAIMS

NOTIFICATION:

ABC Claims Administrators Limited, 1 The Street, Uptown, United Kingdom

CHOICE OF

LAW AND

JURISDICTION:

This insurance shall be governed by and construed in accordance with the law of England and Wales and subject to the exclusive jurisdiction of the courts of England.

PREMIUM:

(The following are examples of clauses that may be used:)

- a) Minimum and Deposit premium GBP5,000 adjustable at GBP25 per covered member at expiry. Group/Master Policyholder to supply membership details within 30 days of expiry of the Group/Master Policy
or
- b) As per attached rating matrix as declared per bordereaux

BORDEREAUX

INTERVAL: Monthly/Quarterly (delete as applicable)

Bordereaux to be supplied to Underwriters within 15 days from the end of each Bordereaux Interval.

(The bordereaux interval heading would only be required if item b) under Premium above applies).

PREMIUM

PAYMENT

TERMS:

(The following are examples of clauses that may be used:)

- a) Minimum and Deposit premium to be paid to Underwriters by 19 May 20XX, and any adjustment premium applicable to be paid to Underwriters within 60 days from the expiry of Master/Group Policy or
- b) Bordereaux premiums to be paid to Underwriters within 30 days from the end of each bordereaux interval.

**TAXES PAYABLE
BY MASTER/GROUP
POLICYHOLDER
AND ADMINISTERED
BY INSURER(S):**

None applicable

**INSURER
CONTRACT**

DOCUMENTATION: This document details the contract terms entered into by the insurer(s), and constitutes the contract document.

(The following sections should be completed in accordance with the guidance set out in the MRC (Open Market) Implementation Guide.)

Information Section:

Security Details:

Contract Administration and Advisory Sections:

Subscription Agreement Section:

Fiscal and Regulatory Section:

Broker Remuneration & Deductions Section:

Appendix A Risk Details

A.1 General Guidance

Section 5 sets out the minimum required content within the Risk Details section of the MRC (Master and Group Policies) standard. The content set out against the headings are examples only.

Additional guidance is given below for a number of the headings insofar as it is relevant to Master/Group Policies.

This guidance is supplemental to and should be read together with the guidance given for the Risk Details section in the Market Reform Contract (Open Market) Implementation Guide.

A.2 Guidance on Specific Fields

A2.1 Administrator

This is relevant where the Master/Group Policyholder does not administer the scheme and a third party Administrator performs certain functions on behalf of the Master/Group Policyholder.

Where the Master/Group Policyholder appoints an administrator to administer all or part of the operation of the Master/Group Policy then the Administrator's name should be included here with its address included under the next heading. The Administrator is appointed by the Master/Group Policyholder to act on its behalf and carries out outsourced functions on behalf of the Master/Group Policyholder.

Where there is no Administrator appointed this heading can be deleted

A2.2 Entity Issuing the Evidence of Insurance

Show here the name of the entity that is responsible for issuing the individual evidences of insurance to the Covered Parties. This will be the Master/Group Policyholder unless there is a third party administrator stated in the MRC, in which case it will usually be appropriate to name the Administrator here.

See also A2.5 below.

A2.3 Covered Parties

These are the parties that have the benefit of the insurance coverage.

Where cover is also provided to the Master/Group Policyholder then the Master/Group Policyholder should also be separately specified. Whether the Master/Group Policyholder has its own coverage under the policy will depend on what is agreed in each case. In many cases the Master/Group Policyholder will not have any separate coverage under the policy.

It is important that the Covered Parties are clearly defined. For example where the Covered Parties are limited to those who elect to take up the coverage then this should be made clear, e.g. members of a trade association where insurance is not provided as part of the membership. Alternatively, if all members of the group automatically have the

benefit of the cover then this should be made clear, e.g. employees under a Group Accident and Health or Group Life Policy.

A2.4 Business

Insert details of the nature and activities of the group/association who holds the Master/Group policy).

A2.5 Format of Evidence of Insurance

Insurer contract documentation should be dealt with under the Insurer Contract Documentation heading as for Open Market business. The Market Reform Contract (Open Market) Implementation Guide at A2.16 provides guidance for how to complete this heading. This deals with the Master/Group Policy itself.

However, it will usually also be appropriate for the Covered Parties to be provided with evidence of the insurance under the Master/Group Policy. This evidence of insurance will usually be provided to the Covered Parties by the Master/Group Policyholder (or any Administrator). This evidence of insurance is not insurer contract documentation. Nevertheless, insurers should agree to the format of the evidence of insurance. This can usually be done by referencing an agreed document, which should be appended to the Master/Group Policy.

Alternatively, for Lloyd's business, the LMA has produced a model Evidence of Insurance (LMA3135) which can be referred to if agreed by the parties.

A2.6 Period

The Period should specify both the period of the Master/Group Policy and the period of the coverage given to the Covered Parties. In some cases the Period may be the same both for the Master/Group Policy and for the coverage given to the Covered Parties so that when the Master/Group Policy expires then all coverage under the Master/Group Policy will expire at the same time.

In other policies, however, the coverage given to Covered Parties may be for a fixed period from the time that coverage is confirmed to the Covered Party (for example 12 months). In this case the coverage given to Covered Parties may continue after the expiry of the period of the Master/Group Policy.

Where there is provision for Notice of Cancellation during the Period then the parties must consider both the mid-term cancellation of the Period of the Master/Group Policy and whether the Notice of Cancellation is intended to cancel mid-period the coverage given to the Covered Parties. The parties' intentions in this regard should be set out clearly. It is also important to ensure that any Evidences of Insurance provided to Covered Parties states clearly and is consistent with what is agreed in the MRC in this regard.

A2.7 Limits Applicable to Covered Parties

These are the limits of cover given to each Covered Party. Where the Master/Group Policyholder is also a Covered Party a separate section may be required to set out any separate limits that apply.

It will not normally be appropriate to include overall aggregate limits for the group (as opposed to coverage limits for individual Covered Parties) and such limits may be prohibited in some jurisdictions.

Overall aggregate limits, which may leave individual Covered Parties without insurance in the event that the aggregate limits have been exhausted, should only be included following careful consideration of the applicable regulatory rules. In most jurisdictions, stricter rules apply where Covered Parties are consumers.

A2.8 Excess Applicable to Covered Parties

Where there are excesses that apply to the cover given to each Covered Party, they should be set out here. Where the Master/Group Policyholder is also a Covered Party a separate section may be required to set out any separate excesses that apply.

It will not normally be appropriate to include overall aggregate excesses for the group (as opposed to excesses for individual Covered Parties) and such aggregate excesses may be prohibited in some jurisdictions.

Overall aggregate excesses, which may leave individual Covered Parties without insurance in the event that the aggregate excess has not been reached, should only be included following careful consideration of the applicable regulatory rules. In most jurisdictions, stricter rules apply where Covered Parties are consumers.

A2.9 Situation

Where the Situation is different for the Master/Group Policyholder and the Covered Parties, this should be set out here. Note that name variations exist for this heading, including Territorial Limits or Scope, Trading Warranties or Location (see Market Reform Contract (Open Market), Version 1.6 at A2.7))

A2.10 Conditions

Any bespoke wording or clauses will form part of this section, whereas standard or registered wordings or clauses can be referred to by reference. The following should be addressed here: full policy wording; administration provisions (including requirement for an Administrator agreement to be in place between the Master/Group Policyholder and the Administrator for the duration of the Master/Group Policy).

The LMA has produced model Master/Group Policy General Terms and Conditions (LMA5239) for use in the Lloyd's market (whether there is a third-party Administrator or not) which addresses a number of matters relating to the operation of the Master/Group Policy by the Master or Group Policyholder. Where used, it should be referred to in this section.

A2.11 Claims Notification

This section should specify the claims handling arrangements, including any TPAs and should identify who the Covered Parties should be directed to notify.

A2.12 Premium

It will sometimes be the case that premium is payable by the Master/Group Policyholder, which should be reflected under this heading. In such cases, any requirement for the Covered Parties to contribute towards the cost of coverage will therefore be a matter for

arrangement between the Master/Group Policyholder and the Covered Parties. Where the Covered Parties are paying premium as a separate payment, this will often be done via the Administrator. In some jurisdictions the Group/Master Policyholder may collect the Covered Parties contribution premium through membership fees of the association in question.

If there is a Minimum and Deposit Premium payable and this is adjustable at expiry based on membership numbers then this should also be stated here. Generally, any mechanism dealing with how premium will be collected should be dealt with here or in the main policy terms.

A2.13 Bordereaux Intervals

In certain Master/Group Policies it may be appropriate to set out the Master/Group Policyholder's obligations to provide bordereau information, including in relation to new or renewal declarations to the policy and premium bordereaux. Consideration should be given to the premium and risk information that should be provided (including as to membership of the association/group) and the intervals for providing that information.

A2.14 Insurer Contract Documentation

This refers to the Master/Group Policy documents and not the evidence of cover issued to the Covered Parties which is dealt with under A2.5 above. An insurer may outline here any insurer contract documentation requirements that are specific to them, if applicable. e.g. need for a policy including the policy form to be used.

See also A2.5.