

# Lloyd's Brussels Coverholder Market Toolkit – Addendum 1.0

Please note: Throughout this document 'EEA' is regularly used as terminology.

In line with prior materials published, this term has been used to describe both the European Economic Area and the regions for which Lloyd's Brussels will be licensed.

Where the difference between the EEA and Lloyd's Brussels' licensed territories is material, this is called out.



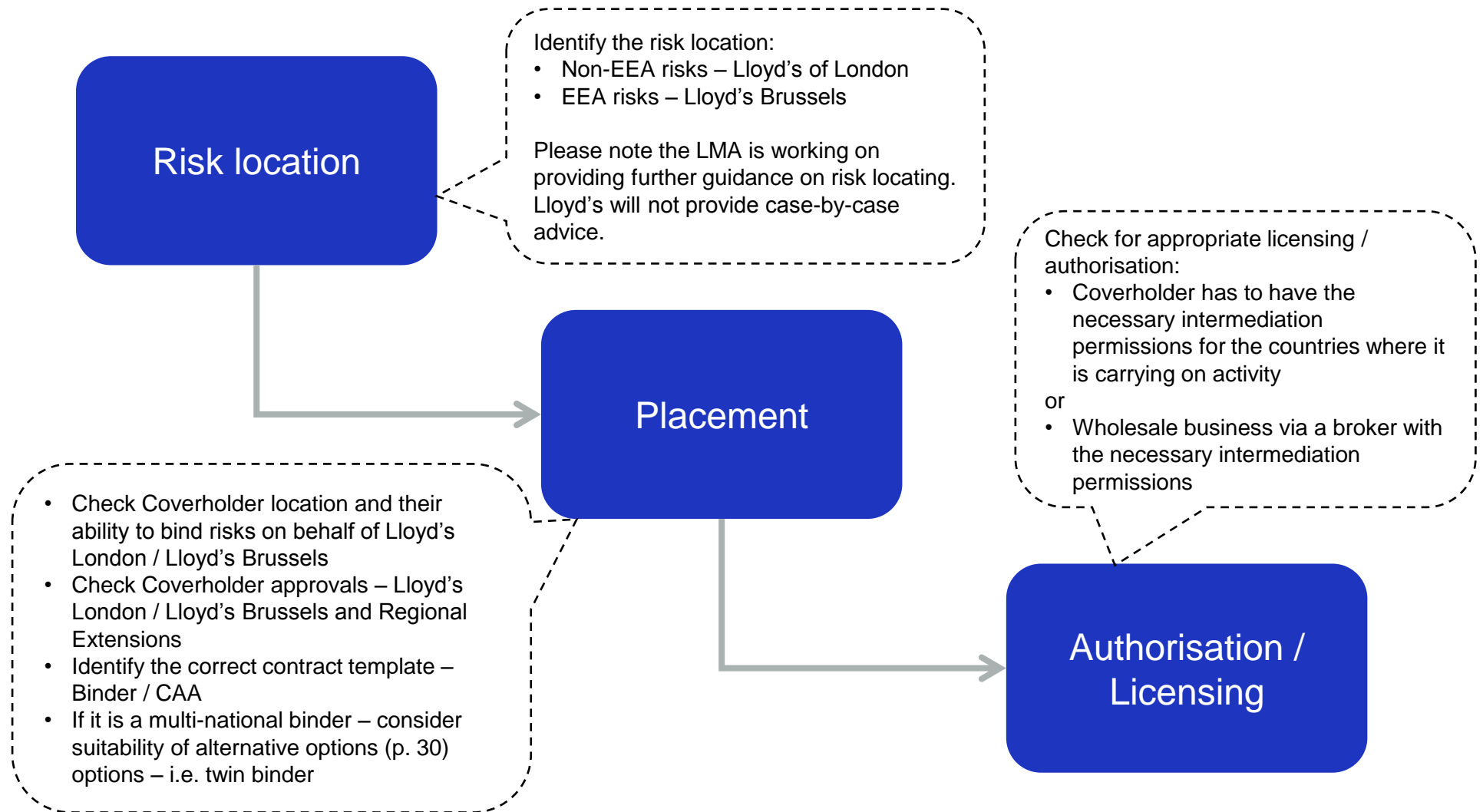
# Lloyd's Brussels Coverholder Market Toolkit

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# CAAs – key placement steps

High-level decision process for binder / CAA placements post-Brexit

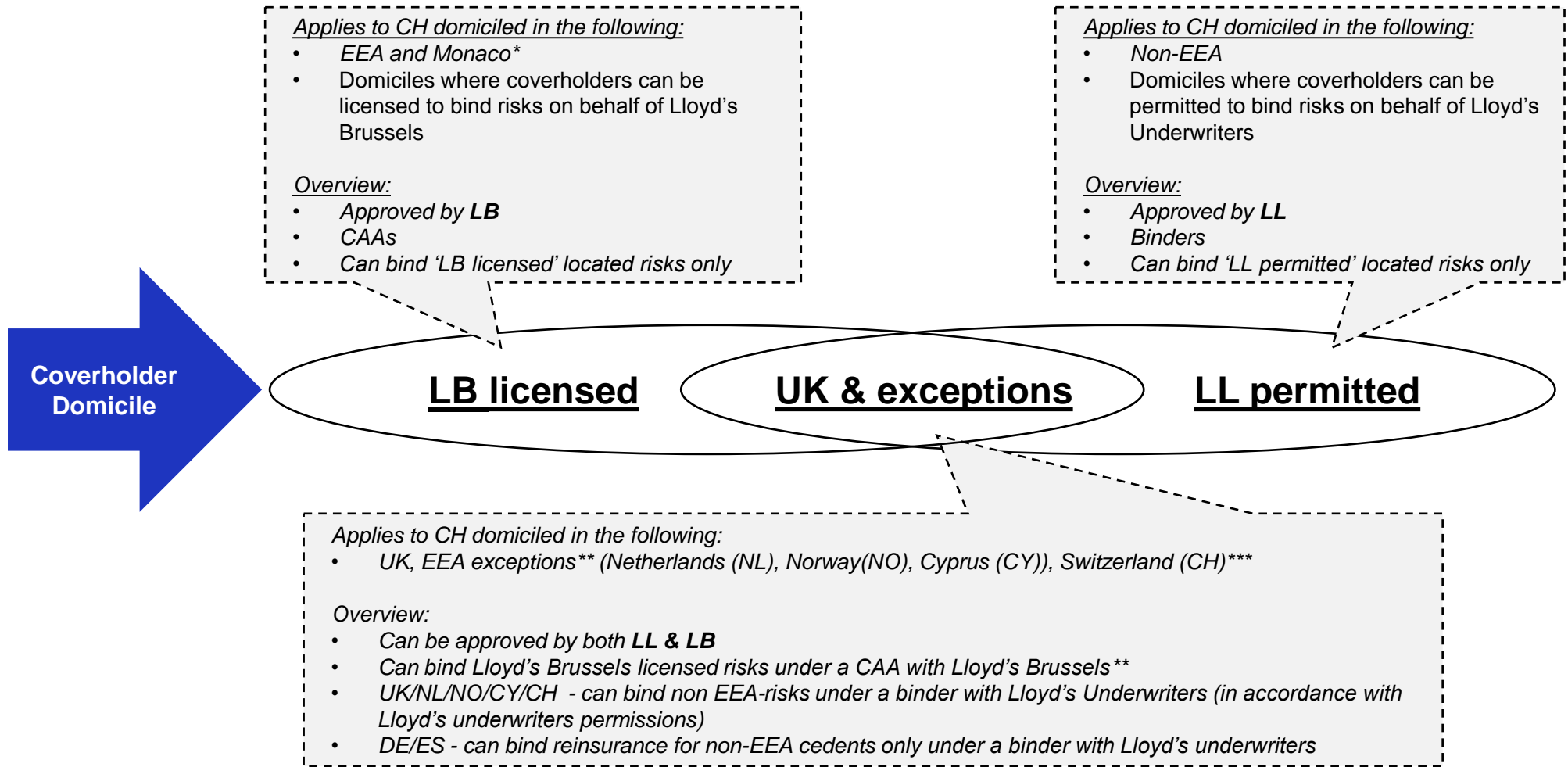


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# Authorisation & Licensing

# Brexit impact on Coverholder approvals

Summary of the impact of Brexit on Coverholders, on the basis of domicile



This is a complex area and is explained in more detail on slides 6 and 7

\* Lloyd's Brussels has applied for licensing in Monaco and expects this to be finalised before EOY 2018. Other licences may be gained in the future.

\*\* For Reinsurance this also applies to Germany (DE) and Spain (ES)

\*\*\*Coverholders domiciled in Switzerland can only bind on a CAA where both the insured and the risk are non-Swiss.

# Coverholders – insurance

## Summary of the impact of Brexit on Coverholders binding direct insurance

### [Access for Lloyd's Brussels/Lloyd's underwriters post-Brexit](#)

#### [Lloyd's Brussels access post-Brexit:](#)

- Is authorised for EEA and UK risks only, authorisation expected for Monaco before EOY 2018
- Does not write non-admitted risks

#### [Lloyd's Underwriters access post-Brexit:](#)

- Will not write EEA and Monaco risks from 1 January 2019

### [What binders/CAAs can Coverholders/service companies hold?](#)

Coverholders/service companies with a binder/CAA can write business for Lloyd's / Lloyd's Brussels in accordance with the above. The following restrictions apply to the type of binder/CAA that can be held by Coverholders in certain countries or regions:

#### [Lloyd's Brussels:](#)

- Coverholders in EEA, UK and Switzerland (and Monaco, once authorisation is obtained) can hold a Lloyd's Brussels CAA for LB licensed risks only
- Coverholders in Switzerland can only bind non-Swiss risks for non-Swiss insureds on their CAA.
- Coverholders outside the UK, EEA, Monaco and Switzerland cannot hold a CAA.

#### [Lloyd's Underwriters:](#)

- Coverholders in Norway, Cyprus and the Netherlands are permitted to hold a binder from syndicates for insurance of non-EEA located risks.
- Coverholders in the rest of the EEA cannot hold an insurance binder from syndicates.
- Coverholders outside the EEA can hold a binder from syndicates for all business they are permitted to bind.

# Coverholders – Reinsurance

## Summary of the impact of Brexit on Coverholders binding Reinsurance

### Reinsurance access for Lloyd's Brussels/Lloyd's underwriters post-Brexit

#### Lloyd's Brussels reinsurance access post-Brexit:

- Is authorised for treaty and fac reinsurance of EEA and UK cedents only
- Lloyd's Brussels does not grant Coverholders the ability to write Treaty Reinsurance as a general rule
- Does not write non-admitted reinsurance (i.e. no cedents outside EEA/UK)

#### Lloyd's underwriters reinsurance access (cross-border from outside EU/EEA) post-Brexit:

- Can write reinsurance of all EU/EEA cedents at least until 29 March 2019, and until at least 31 December 2020 if a transition agreement is implemented.
- Can write reinsurance of all EU/EEA cedents if the UK is deemed "Solvency II equivalent" for reinsurance.
- In the case of a hard Brexit, where UK is not deemed to be "Solvency II equivalent" for reinsurance, can write reinsurance of EU/EEA cedents except those in Germany and Poland

### What reinsurance binders/CAAs can Coverholders/service companies hold?

Coverholders/service companies with a binder/CAA can write business for Lloyd's / Lloyd's Brussels in accordance with the above. Note that PMD do not in general permit Coverholders to have a binding authority for treaty reinsurance. The following restrictions apply to the type of binder/CAA that can be held by Coverholders in certain countries or regions:

#### Lloyd's Brussels:

- Coverholders in EEA and UK (and Monaco, once authorised) can hold a Lloyd's Brussels reinsurance CAA for EEA and UK cedents only.
- Coverholders in Switzerland can hold a Lloyd's Brussels reinsurance CAA for EEA and UK cedents only.
- Coverholders outside the UK, EEA, Monaco and Switzerland cannot hold a CAA.

#### Lloyd's Underwriters:

- Coverholders in Spain, Germany, Norway, Cyprus and the Netherlands are permitted to hold a binder from syndicates for reinsurance of non-EEA located cedents only.
- Coverholders in the rest of the EEA cannot hold a reinsurance binder from syndicates.
- Coverholders outside the EEA can hold a binder from syndicates for all reinsurance business they are permitted to bind, including EEA/EU business according to the access permissions above.

# Coverholder licensing

## Overview of licensing / authorisation implications of Brexit

### Coverholder licensing / permissions

- Lloyd's Coverholders wishing to enter in to a Coverholder Appointment Agreement ('CAA') with Lloyd's Brussels must be appropriately authorised and licensed to perform all activities undertaken in each of its chosen jurisdictions.
- For the avoidance of doubt, this is the market's responsibility and separate to the 'grandfathering' carried out by Lloyd's.
- A Coverholder that wants to solicit / have direct contact with policyholders will need to have the necessary intermediation permissions for the countries where it is carrying on activity.

| Impact of the Loss of Freedom of services and Establishment on Coverholders |   |
|---|---|
| <b>UK Domiciled Coverholders</b>  | Coverholders domiciled in the UK who are authorised and regulated by the Financial Conduct Authority ('FCA') will be considered a 'Third Country Intermediary' in the EEA and so will no longer be able to rely on these Freedoms to carry on regulated activities (such as advising clients, arranging/concluding contracts of insurance, collecting premiums, or handling claims) in the EEA.   |
| <b>'LB licensed' Domiciled Coverholders</b>                                 | Coverholders domiciled in the EEA* who are authorised and regulated in their home state will be considered a Third Country Intermediary in the UK and so will no longer be able to rely on these Freedoms to carry on regulated activities (such as advising clients, arranging/concluding contracts of insurance, collecting premiums, or handle claims) in the UK. Coverholders may apply to the FCA's Temporary Permissions Regime if they wish to extend their access to the UK beyond 29 March 2019. |

### Impact on UK domiciled Coverholders:

- UK Coverholders will be an unlicensed "third country" intermediary in EEA\* jurisdictions post-Brexit. In each solution below, it is critical that Coverholders are appropriately authorised / licensed for the activities that they undertake in the relevant jurisdictions



## Changes to Territorial Extension Regions

Lloyd's must update the existing region definitions to ensure territorial extensions granted to Coverholders clearly identify in which countries they may do business and with which Lloyd's entity

Lloyd's currently divides all operating territories into 24 regions. Of these, only the 'Europe (Licensed)' region will be affected by the Brexit changes. On 1 January 2019, this region will therefore be replaced with 3 new regions and the countries currently defined as being within Europe (Licensed) will be redistributed in line with the new Lloyd's operating model.

The new regions and the countries contained in each are set out below:

| New regions – replacing 'Europe (Licensed)' |  |
|---|--|
| <b>Europe (A)</b>                           | Austria, Azores, Balearic Islands, Belgium, Bulgaria, Campione D'Italia, Canary Islands, Ceuta , Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, French Guiana, Germany, Greece, Guadeloupe, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Livigno , Luxembourg, Madeira, Malta, Martinique, Mayotte, Melilla, Netherlands, Norway, Poland, Portugal, Reunion, Romania, Saint Barthelemy, Saint Martin (France), Slovakia, Slovenia, Spain, Svalbard, Sweden |
| <b>Europe (B)</b>                           | Falkland Islands, Guernsey, Isle of Man, Jersey, San Marino  |
| <b>UK</b>                                   | United Kingdom   |

In addition, Gibraltar and Monaco will be added to the existing 'Europe (Unlicensed)' region. However, it is expected that Monaco will be moved into Europe (A) once authorisation has been granted. It is expected that Gibraltar will be moved to Europe (B) once the Gibraltar government has confirmed ongoing access for UK firms.

Please refer to Crystal for details on specific territories. Please refer to the [ATLAS/BAR System guidance](#) for system help.

# Grandfathering

## Summary of the Grandfathering of Coverholder approvals carried out as a result of Brexit

As set-out in Market Bulletins Y5166 and Y5211 to minimise any disruption for existing Lloyd's approved Coverholders, Lloyd's Brussels has grandfathered the approval of Coverholders who currently have authority to bind EEA risks for Lloyd's Underwriters. This process will also grandfather Coverholders' existing Regional Extensions in so far as is possible. This grandfathering will take place over 2 phases:

### Phase 1 – 28 / 29 September 2018 (completed)

Coverholders domiciled in an EEA country, the UK, or Switzerland, who are currently approved by Lloyd's, with Europe (Licensed) as an approved Regional Extension, will be automatically approved by Lloyd's Brussels, thereby permitting them to enter in to CAAs. No other Coverholders will be approved to enter in to CAAs with Lloyd's Brussels under the grandfathering process.

### Phase 2 – 1 January 2019

As a result of Brexit, Lloyd's Underwriters will no longer be licensed within the EEA. From 1/1/2019 the impact of Coverholder approvals will be as follows:

- Coverholders domiciled in an EEA country, (other than Cyprus, Norway or the Netherlands) will have their approval to enter in to Binding Authority Agreements with Lloyd's Underwriters revoked. These Coverholders will therefore be approved by Lloyd's Brussels only and may only enter in to a CAA with Lloyd's Brussels.
- Coverholders domiciled in Cyprus, Norway or the Netherlands will continue to be approved to enter in to Binding Authority Agreements with Lloyd's Underwriters but only with respect to business where the insured and the risk location are outside the EEA.
- Coverholders domiciled in the UK will maintain their Lloyd's Underwriters approval on Atlas. Those currently holding a Regional extension for 'Europe (Licensed)' will also be approved by Lloyd's Brussels enabling them to enter in to a CAA with Lloyd's Brussels.
- Lloyd's existing Region 'Europe (Licensed)' is to be removed for all Coverholders. There will no longer be a 'Europe (Licensed)' Region since Coverholders in the EEA will now need to be Lloyd's Brussels approved Coverholders if they write EEA located risks. Please see Market Bulletin Y5211 for further details.

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# Atlas / BAR changes

# Atlas / BAR changes

## Summary of the main changes to Atlas / BAR

### Atlas:

- Coverholders can now be approved by Lloyd's London (LL) or Lloyd's Brussels (LB) or both
- Coverholder requests for LB approval will be reviewed by the LB team / manager
- Atlas 'Regions' will be updated from 1/1/19 – see market bulletin Y5211 for more detail

### BAR:

- New indicators added:
  - Whether the binder is for LL / LB
  - Whether complaints handling authority is granted
- Only appropriate syndicate numbers will show:
  - Coverholders approved by LL – London syndicate numbers
  - Coverholders approved by LB – Lloyd's Brussels syndicate numbers
- Twin binders – the Lloyd's Underwriters / Lloyd's Brussels elements of the contract must be set-up via separate BAR registrations (maintaining the same UMR)

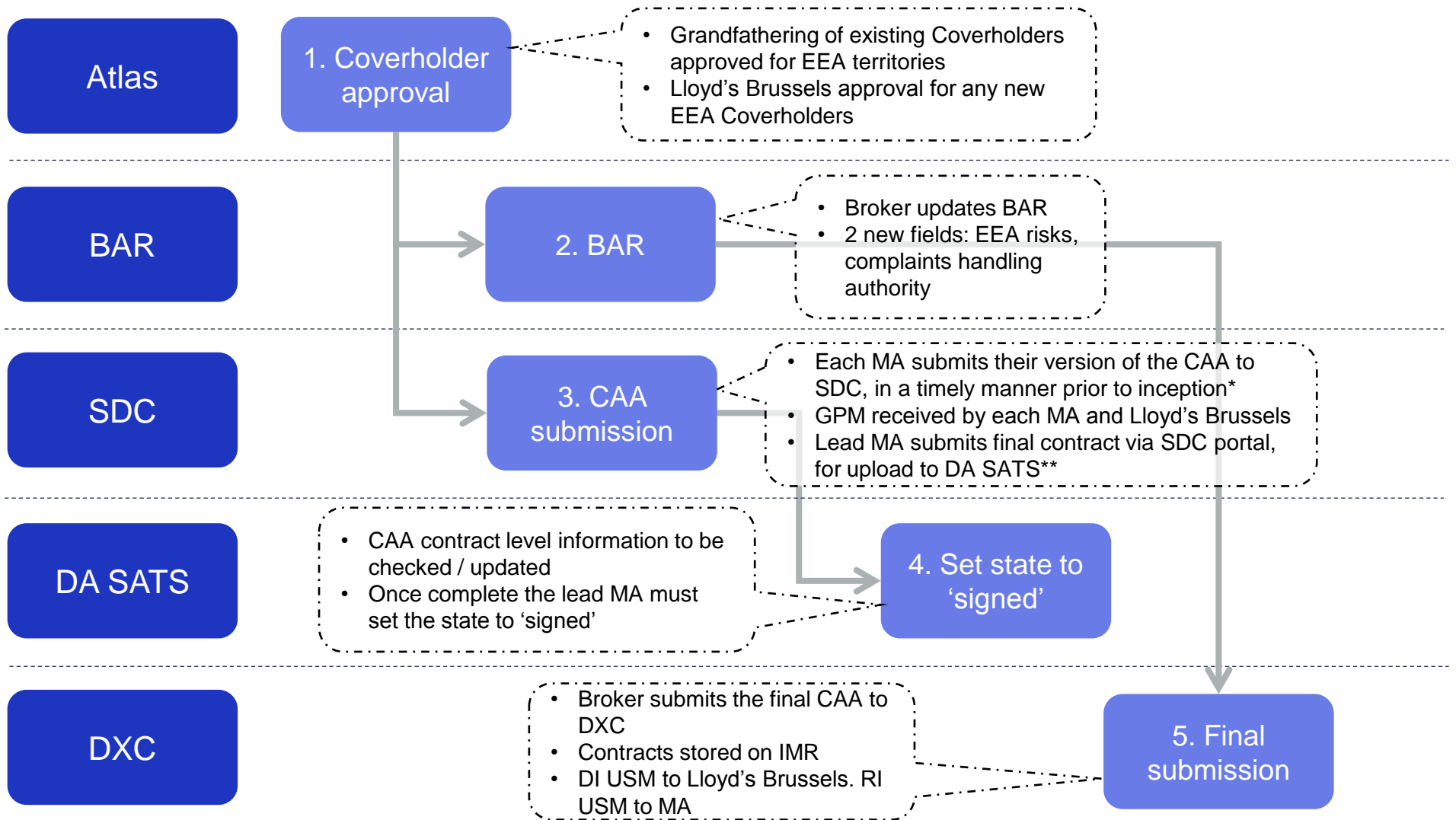
For detailed guidance on the changes, please see the '[User Guide](#)' on the Lloyd's website

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# CAA submission process

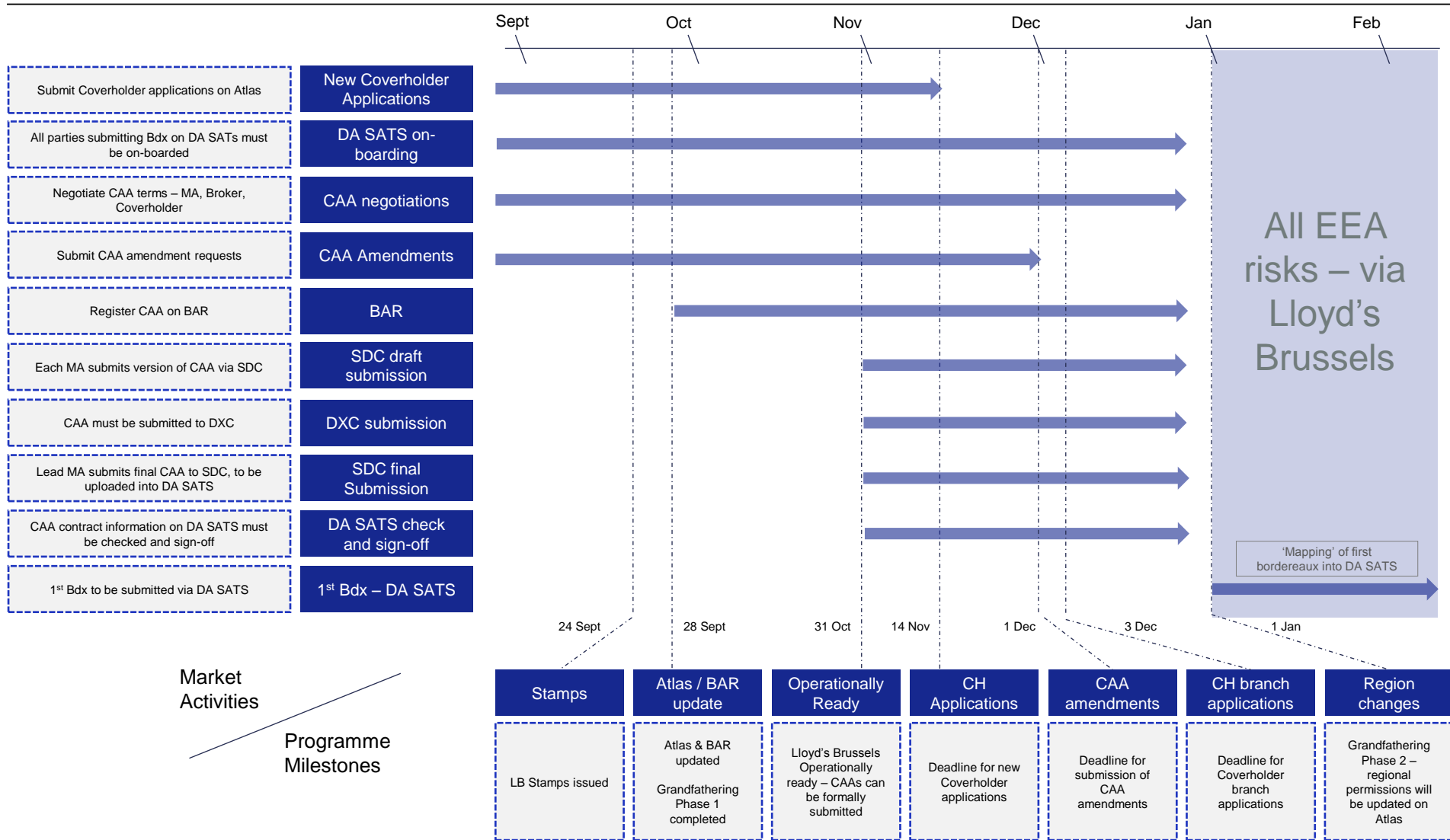
# CAA processing requirements

High level overview of the proposed steps for processing a CAA



# 1/1/19 renewals timeline

Overview of the key CAA placement activities and milestones until 1/1/19



## CAA & MRC updates

Updates have been made to the MRC and CAA in line with Lloyd's Brussels requirements

### MRC Guidance

Please review the Market Reform Contract (Binding Authority) Implementation Guide - Lloyd's Brussels Supplementary Addendum, which details any changes to the standard MRC and CAA and provides relevant examples.

<https://www.londonmarketgroup.co.uk/mrc>

(please select the drop-down "Binder" to view "Binder documents" and download the MRC (Binder) Brussels Addendum v1.0 - October 2018)

#### Critical considerations

This information is required by LBS for monitoring of premium income:

#### Section 5.3: Appendix C – Information

##### Estimated premium income:

The total gross estimated premium income as estimated by the underwriter will need to be included within the Information section of Appendix C.

##### Risk code splits:

Where premium is split between two or more risk codes, the total gross estimated premium will need to be split and provided per risk code.



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# CAA – Amendments and Extensions

## CAA amendments

All amendments to the CAA must be formally reviewed / approved by Lloyd's Brussels

### CAA Amendments:

Coverholder Appointment Agreement (“the CAA”) is the contract by which coverholders will be authorised by Lloyd's Brussels to bind insurance business on its behalf. The CAA will replace the existing forms of binding authority agreement used in respect of EU/EEA business with effect from 1 January 2019. For the benefit of Coverholders and Brokers, the form of the CAA has been kept as close to the LMA3113A as possible. Further guidance on this process can be found in Market Bulletin Y5166 - <https://www.lloyds.com/~media/files/the-market/communications/market-bulletins/2018/03/y5166.pdf>.

The agreement of a CAA will be subject to commercial discussions between the Coverholder, Broker and Managing Agents. However, Section 6.2 of the CAA makes clear that the wording of the Introduction and sections 1 – 42 of the CAA may not be amended without the prior agreement of Lloyd's Brussels itself. Requests for amendments must be submitted to Lloyd's in line with the process below.

Other than in the case of amendments, additional 'conditions and requirements' can be included by the Managing Agent without Lloyd's Brussels' express approval. For example, those additional conditions required in order to comply with local regulatory requirements (as set out in Crystal), would fall into this category, and can be added to the CAA by the Managing Agent alone.

All amendment requests, for CAAs incepting 1/1/19, must be submitted prior to 1 December 2018.

### Process for requesting amendments:

- Proposed amendments should be requested via [Coverholders@lloyds.com](mailto:Coverholders@lloyds.com) (cc'ed to [brexit@lloyds.com](mailto:brexit@lloyds.com)) in the first instance
- Proposed amendments must be provided in the form of a 'tracked change' version of the CAA template
- Any proposed amendments will be considered and a recommendation put to Lloyd's Brussels for its approval

## Extensions

### Extension requests must be formally reviewed / approved by Lloyd's Brussels

Lloyd's London and Lloyd's Brussels position is that all EEA / LB licensed risks (renewal risks or new risks) should attach to LBS from 1st January 2019.

#### [Criteria for risks attaching under Binding Authorities](#)

Lloyd's Brussels has regard to the fact that the transition date of 1st January 2019 for binding authority agreements has been clearly communicated to the market for a considerable period of time. Transitioning on that date provides certainty and consistency to Coverholders and avoids risk of operational errors.

We would not normally expect to grant extensions to binding authorities that would have ordinarily renewed on 1st January 2019, since a new facility would have had to be placed on that date anyway. Accordingly, in these circumstances the renewal should normally be on the basis of a CAA as at 1st January 2019.

Where the binding authority would ordinarily renew on a date after 1st January 2019, then a request may be made for the transition to a CAA after that date.

Agreement will only however be given by Lloyd's Brussels on an exceptional basis to permit this where:

- Due to tacit renewal timings, the Managing Agent will not have time to issue the relevant notices of cancellation before 1st January 2019.
- The Managing Agent is establishing a new service company in EEA and/or is already making reasonable efforts to be Brexit compliant, but the regulatory approvals cannot be obtained in time for 1st January 2019 or;
- If an extension is not given, policyholders' interests would be adversely affected.

In all cases if accepted, extensions would only be granted up to 1st March 2019.

All extension requests must be submitted prior to 1 December 2018.

#### [Process](#)

- Extension requests should be sent to [brexit@lloyds.com](mailto:brexit@lloyds.com) and copied to [coverholders@lloyds.com](mailto:coverholders@lloyds.com) marked 'extension request'.
- Please identify the relevant binding authority that is the subject of the request, provide the rationale for the request and state the gross premium income that will attach during the extension period (from 1.1.19 to the end of the extension period).
- The Brexit Market Engagement team will log the request and co-ordinate response.

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# Bordereaux

## Why DA SATS?

DA SATS will provide a mechanism to consistently capture, cleanse, process & report delegated data and make it accessible to all relevant stakeholders

### What is DA SATS?

- ✓ DA SATS is a central repository to facilitate the collection and cleansing of data in line with Lloyd's Data Standards
- ✓ It enables the automated submission, collection, validation, processing and distribution of delegated authority data across the market
- ✓ A "single source of truth" is provided for Delegated Authority Risk, Premium and Claims data for the market

### Key benefits of using DA SATS

- ✓ Establish consistent processes for market participants
- ✓ Simplify and standardise data cleansing
- ✓ Provide complete and consistent information for more informed decision making
- ✓ Eliminate duplication and reduce work effort
- ✓ Springboard to facilitate regulatory reporting
- ✓ Enable all stakeholders to access data to meet management reporting requirements
- ✓ Reduce cost to the market through automation

DA SATS use is mandated for the submission of bordereaux for all EEA risks written by Lloyd's Brussels. However, as part of the London Market TOM it can be utilised for the submission of all other bordereaux data in line with Managing Agent's DA SATS subscriptions.

Please visit <https://tomsupports.london/delegated-authority> for further info

## CAA bordereaux | DA SATS

Bordereaux for all Lloyd's Brussels CAAs are to be submitted through the new Delegated Authority: Submission, Access and Transformation Solution (DA SATS)

The first EEA bordereaux will be submitted via DA SATS in **February 2019**. Market participants need to ensure that they understand their responsibilities relating to the end-to-end submission of bordereaux and take the necessary steps ahead of first bordereaux submissions.

|                                    | Key steps   | Details   |
|------------------------------------|---|---|
| <b>Before January 2019</b>         | ✓ Managing Agents to establish responsibility for bordereau submission (to be specified in the CAA) and communicate decision to Lloyd's | See page 24 for an overview & page 26 for detailed submission steps & proposed owners |
|                                    | ✓ Responsible party/parties to register and complete training before submission permissions will be granted                             | See page 23 for registration & training details                                       |
|                                    | ✓ CAA contract administration & upload into DA SATS   | See page 26 & DA SATS guidance  |
| <b>January / February 2019</b>     | ✓ Mapping of first bordereaux into DA SATS and error resolution (once-only per contract)  | See page 26 & DA SATS guidance  |
| <b>February 2019 &amp; ongoing</b> | ✓ Monthly submission of compliant bordereaux according to Lloyd's submission intervals and timelines                                    | See pages 25, 26 & 27   |

Lloyd's Brussels will monitor and review compliance with the end-to-end bordereaux submission process, including the CAA upload, first bordereaux submissions and compliance with mandated timelines. Appropriate action may be taken against market participants, on a case-by-case basis, who materially fail to meet the required submission standards and timelines.

## DA SATS On-boarding

Prior to the first bordereaux submissions, responsible parties will need to be on-boarded to DA SATS

The **Managing Agent** has ultimate responsibility for the submission of bordereaux into DA SATS and will be held accountable by Lloyd's. Managing Agents can assign responsibility for submission to **Coverholders, TPAs** or **Brokers** and the responsible party will need to complete the below on-boarding steps:

### Registration

1. If you are responsible for the submission of bordereaux in DA SATS, please ensure you register, using the following link: <https://tomsupports.london/dasats-registration>.
2. Once registration is complete, you will receive a confirmation email with a number of attachments, which will need to be reviewed, signed and returned to Lloyd's:
  - **DA SATS End User Licence Agreement (EULA):** In order to proceed with DA SATS On-boarding, your organisation will need to return a signed copy of the EULA via Structured Data Exchange (SDE) or via email to [DASATS@lmtom.london](mailto:DASATS@lmtom.london)
  - **TMEL MUA:** In order to proceed with registration and receive training, please review, sign and return via SDE or via email to: [DASATS@lmtom.london](mailto:DASATS@lmtom.london)

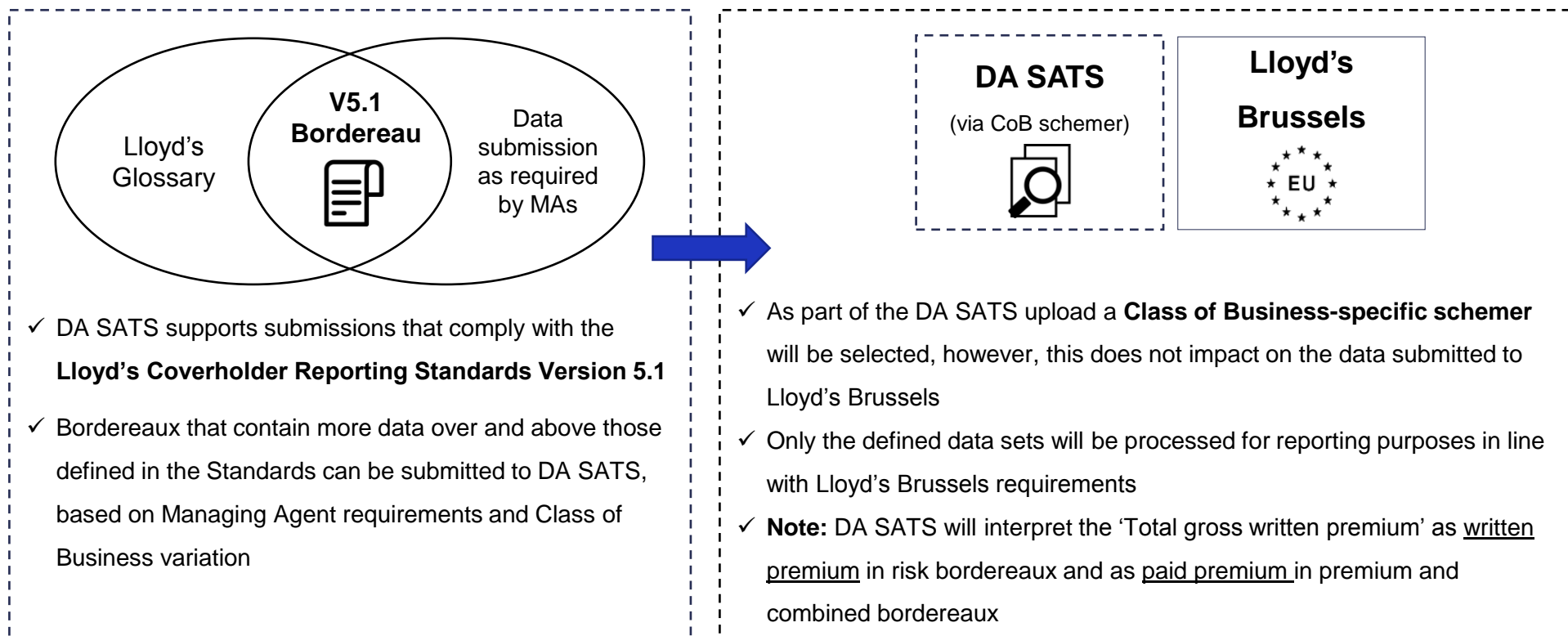
### Training

1. Following registration and confirmation that the necessary documentation has been signed and sent back, you will receive an invitation via the training team to sign up for training.
2. Video Tutorials: Please refer to the training videos that will walk you through the various elements of submitting bordereaux: Training Video Tutorials – (Training Drop down) <https://tomsupports.london/delegated-authority-toolkit>

**Note:** If Coverholders are unsure about their responsibility to submit bordereaux to DA SATS and the CAA has not been finalised, please contact the Managing Agent to clarify.

## Bordereaux submission overview

Coverholders are required to submit bordereaux compliant with Lloyd's Reporting Standards V5.1 via DA SATS



**Note:** Prior to uploading the first bordereaux into DA SATS, mapping of the bordereaux structure to DA SATS needs to take place to ensure bordereaux information is processed correctly (bordereaux transformation).



## Bordereaux types

Data needs to be submitted monthly and according to Lloyd's reporting timeframes

### Submission intervals

Risk and Claims data will need to be submitted on a monthly basis. Premium data should be submitted monthly if possible.

Where applicable **'nil' submissions** can be recorded in DA SATS (no bordereaux upload required) to comply with mandatory monthly reporting. DA SATS will not accept bordereaux submissions if prior month bordereaux are not uploaded/approved or a nil submission has not been recorded.

### Submission timelines

Risk data submission timelines are aligned to LB reporting requirements and take into account the original data submission, data quality issue resolution, final approval and Lloyd's processing. Market participants need to ensure bordereaux are fully compliant, submitted and approved within 15 working days of month end (see overleaf for details). LB will monitor and review compliance with mandated submission timelines.

#### Risk data



**Submission interval:** Monthly

Fully approved submission within  
15 working days of month end

#### Premium data



**Submission interval:**

Monthly where possible

#### Claims data



**Submission interval:** Monthly

Submission within 15 working days  
of month end

Risk and premium data can be submitted **separately** (in a monthly risk bordereau and a separate **V5.1 paid** premium bordereau) or through a combined **V5.1 bordereau** with written and fully paid risks.

## Bordereaux submission process

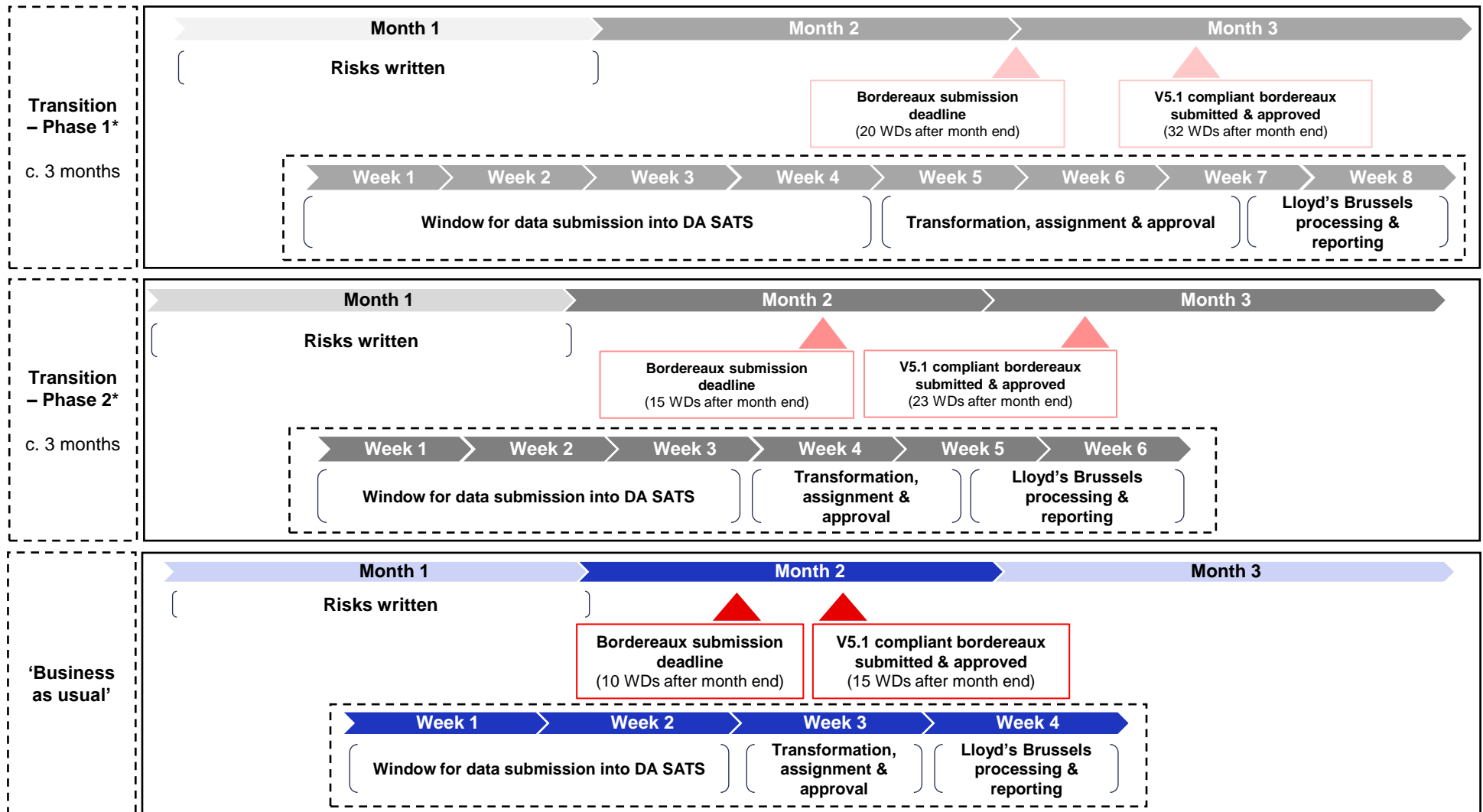
Market participants are required to follow the DA SATS submission steps to comply with the mandated submission frequency and timelines, which are monitored by LB

| Bordereau submission                               | Description  | Owner              | Timeline  | Frequency |
|--|--|--------------------|---|-----------|
| 1<br><b>Contract administration</b>                | Contract creation in DA SATS & manage  | Lead MA or Broker  | To be completed <b>in advance</b> of the first bordereau submission | Annually  |
| 2<br><b>Bordereaux submission</b>                  | Submission of bordereaux into DA SATS  | Coverholder / TPA  | Within <b>10 working days</b> of month end                          | Monthly*  |
| 3<br><b>Bordereaux transformation</b>              | Translation of bordereaux format to DA SATS using questionnaire                    | Lead MA (proposed) | Within <b>5 working days</b> after submission                       | Once-only |
|  | Resolution of data quality issues  | Coverholder / TPA  |   | Monthly   |
| 4<br><b>Bordereaux assignment</b>                  | Definition of rules by which records are assigned to section & risk code(s)        | Broker or MA       | Within <b>5 working days</b> after submission                       | Monthly   |
| 5<br><b>Bordereaux approval</b>                    | Final approval of processed bordereaux before providing access to all participants | Broker or MA       |   | Monthly   |
| 6<br><b>Bordereaux processing and LB reporting</b> | Bordereaux processing and data reporting to LB in line with LB requirements        | Lloyd's            | Within 5 days after approval and complete submission                | Monthly   |

**Note:** Lloyd's Brussels recognises that the timelines required for reporting purposes deviate from current market practice. It has therefore been agreed that there will be a 4 to 6 month transition period during which the timelines are extended significantly (see overleaf).

# Bordereaux submission process

V5.1 compliant bordereaux will need to be fully approved in DA SATS within 15 working days of month end. There will be a transition period with extended timelines as per below examples:



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# Service Companies

# Service Companies

## Overview of the operating requirements for Service Companies post-Brexit

As set-out in Brexit Toolkit V1.0, Brexit will have a material impact on Service Companies. Service companies will need to transition their current delegated authority arrangements with MAs to formal contracts with the Brussels subsidiary.

### Agreements - placements

A formal CAA is required. Requirements are equivalent to those for Coverholders. That includes the following:

- Amendments must be submitted to and agreed by Lloyd's Brussels,
- A new For Declaration Only (FDO) placement
- CAAs must be submitted via SDC

### Risks - submissions

- All cash will be required to be passed to the Brussels subsidiary
- Risk, premium and claims bordereaux must be submitted to DXC
- Risk, premium and claims bordereaux must be submitted via DA SATs, in accordance with Coverholder requirements

Several of the activities above are typically carried out by Brokers, such as the processing of MRCs and handling of DXC queries. Managing Agents must therefore ensure they have suitable processes in place.

### Sub-delegation – appointment of Coverholders

Service Companies are currently permitted to appointment of Coverholders. However, Service Companies will not have authority from LBS to appoint coverholders.

In order for SC's to appoint coverholders on behalf of Lloyd's Brussels, they will need to enter into a modified form of Outsourcing Agreement with the relevant managing agent and Lloyd's Brussels pursuant to which Lloyd's Brussels will grant the service company the appropriate authority. A draft of this has been prepared and is being discussed with the LMA so it can be finalised for approval by Lloyd's Brussels. Applications will need to be made and assess on a case-by-case basis. Further information and instructions will be issued shortly.

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# Multi-national binders

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# Multinational binder review

## Solution(s) for multinational binders post-Brexit

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### Background

- Following Brexit, EEA Coverholders will only be able to bind EEA risks for Lloyd's Brussels. Non-EEA Coverholders will only be able to bind non-EEA risks for Lloyd's Syndicates. There are limited exceptions to this rule.
- A number of high-level solutions were presented in the Toolkit V1 in January. No further solutions have been identified, this paper expands on the original solutions.

### Definitions

- **Multinational binder:** a binder that currently permits a Coverholder to write a combination of EEA and Non-EEA (including UK) risks.
- **Multinational placement:** a placement consisting of multiple policies, where the risk is located in more than one territory. Typically designed by a Lloyd's broker.
- **Multinational policies / certificates:** contract(s) of insurance where the risk is located in more than one territory.
- **Orphaned risks:** any risk (or part there of) that a Coverholder will no longer be licensed to bind.

### CH solicitation / licensing

- UK Coverholders will be an unlicensed "third country" intermediary in EEA jurisdictions post-Brexit. In each solution below, **it is critical that Coverholders are appropriately authorised / licensed for the activities that they undertake in the relevant jurisdictions.**
- A Coverholder that wants to solicit / have direct contact with policyholders will need to be authorised in the territory where the policyholder is located.

### Broker Insurance Documents (BIDs)

- Brokers may wish to consider the use of BIDs to summarise the entirety of a placement to the end policyholder.

### 3<sup>rd</sup> party relationships

- Several of the solutions in this pack involve relationships with 3<sup>rd</sup> parties. It is therefore important to consider factors such as contractual arrangements and potential conflicts of interest.

## A. Lloyd's Brussels CAA (UK & EEA)







In some cases the Lloyd's Brussels CAA enables the binding of UK and EEA risks




This solution would be applicable to:

- UK domiciled CH binding UK and EEA risks
- EEA domiciled CH binding EEA and UK risks

### Solution Summary

- The UK Branch of Lloyd's Brussels will be authorised to write both UK and EEA risks. Both UK and EEA domiciled Coverholders can therefore write UK and/or EEA risks via a CAA. Coverholders must ensure they are appropriately authorised / licensed. E.g. a French Coverholder must be appropriately authorised as an intermediary in the UK if soliciting business directly.
- Rest of world risks cannot be written via a CAA

| Example scenario                    | Coverholder domicile  | Risk locations  | Contract |
|-------------------------------------|---|---|----------|
| French CH, writing UK and EEA risks |    |       | CAA      |
| Example scenario                    | Coverholder domicile  | Risk locations  | Contract |
| UK CH, writing UK and EEA risks     |  |   | CAA      |

| Binding  | Licensing   | Processing   | Policy / Certificate   |
|--|---|--|--|
|  <p>Single CAA between the Coverholder and Lloyd's Brussels, for UK and EEA risks</p> |  <p>Where soliciting business directly must have the appropriate authorisation. Where not soliciting business Coverholders should take advice*</p> |  <p>A single CAA contract, submitted via SDC. Single bordereau (risk, premium, claims), submitted via DA SATs</p> |  <p>Separate policy wordings where there are distinct non-EEA / EEA policyholders</p> |



## B. Twin Binder (CH in the UK)

A UK domiciled Coverholder with a Lloyd's Brussels CAA and syndicate binder combined

This solution would be applicable to:

- UK domiciled Coverholders who intend to bind multinational risks






### Solution Summary

**This concept involves two contracts combined – a single MRC referencing both:**

- The CAA between Lloyd's Brussels (UK branch) and the UK domiciled Coverholder
- The binder between the Lloyd's syndicate(s) and the UK domiciled Coverholder

**In some circumstances this solution is also applicable for Coverholders domiciled in the following counties,**

- Coverholders domiciled in Cyprus, Netherlands, Norway may be permitted to bind risks via a binder with Lloyd's syndicates (only if the insured and the risk are not located in the EEA)
- Coverholders domiciled in Switzerland may be permitted to bind risks via a CAA with Lloyd's Brussels (only if the insured and the risk are located in the EEA). *Update to original Toolkit: South African and New Zealand Coverholders will not be permitted to bind on behalf of Lloyd's Brussels.*

| Example scenario                 | Coverholder domicile   | Risk location   | Contract                                |
|----------------------------------|--|---|---|
| UK CH writing multinational risk |  |   ROW | Syndicate binder                        |
|                                  |  |   | CAA<br>(via Lloyd's Brussels UK branch) |

#### Binding



Single MRC referencing the LMA 3113A binder and CAA wordings.

#### Licensing



UK domiciled Coverholders soliciting business directly within the EEA must have the appropriate authorisation (and vice versa)

#### Processing



There will be one UMR. Each MA will submit a version of the contract. Separate BAR registrations and bordereau required

#### Policy / Certificate



Separate policy wordings where there are distinct non-EEA/EEA policyholders

## C. Twin Binder (CH in multiple territories)

Two (or more) Coverholders, one with a Lloyd's Brussels CAA and the other a syndicate binder combined

This solution would be applicable to:

- EEA Coverholder in partnership with a non-EAA Coverholder (and vice versa) to provide worldwide coverage







### Solution Summary

**This concept involves two contracts combined – a single MRC referencing both:**

- The CAA between Lloyd's Brussels and the EEA domiciled Coverholder
- The binder between the Lloyd's syndicate(s) and the non-EEA domiciled Coverholder

**This would enable 'Coverholder groups' to continue writing across multiple territories**

- Requires Coverholder with entities both within and outside the EEA
- Where the risks are distinct (EEA or non-EEA) they should be bound by the appropriate Coverholder entity
- For multinational risks, the element which cannot be bound by the originating Coverholder should be referred internally to the other entity for binding

| Example scenario  | Coverholder domicile  | Risk location   | Contract         |
|---|---|---|------------------|
| Multi-domicile Coverholder group writing multinational risk |    |  ROW  | Syndicate binder |
|   |  |   | CAA              |

#### Binding



Single MRC referencing the LMA 3113A binder and CAA wordings.

#### Licensing



Both CH entities must be appropriately authorised for the domicile in which they are soliciting business directly

#### Processing



There will be one UMR. Each MA will submit a version of the contract. Separate BAR registrations and bordereau required

#### Policy / Certificate



Separate policy wordings where there are distinct non-EEA/EEA policyholders

## D. Open market referrals

Refer risk to a licensed insurer on an open market basis





This solution would be applicable to:

- EEA domiciled CH unable to bind non-EEA risks
- Non-EEA domiciled CH unable to bind EEA risks

### Solution Summary

Any risk that a Coverholder is unable to bind can be referred to a Managing Agent to be placed via the open market (including via lineslip). In this situation the Coverholder would pass the risk on as a 'clean hand off' with no consideration or ongoing servicing of the policy.

It is critical that each risk referred is individually considered by the lead Managing Agent before it is bound.

| Example scenario | Coverholder domicile   | Risk location  | Contract                             |
|------------------|--|--|--------------------------------------|
| EEA orphaned     |   |   | Clean hand off to the Managing Agent |
| Non-EEA orphaned |  |  |                                      |

#### Binding



Orphaned risk bound by a managing agent

#### Licensing



CH must have the appropriate licences to introduce business and perform any administrative services

#### Processing



This could range from nil to partial processing activity based on approach adopted

#### Policy / Certificate



Policy wordings are the responsibility of the entity binding / writing the risk

## E. Third party Coverholder referrals









Refer risk to licensed third party Coverholder

This solution would be applicable to:

- Reciprocal relationships between CH with orphaned risks
- Where the Lloyd's broker has a binder and is able to bind the orphaned risk

### Solution Summary

If, post Brexit, a Coverholder is unable to refer orphaned risks to an authorised intermediary within their own organisation they may wish to refer the risk onto a third party Coverholder. This solution would depend on the originating Coverholder having a relationship with a receiving third party Coverholder. The 3<sup>rd</sup> party Coverholder can be the placing Lloyd's broker, where they hold an appropriate binder.

| Example scenario             | Coverholder domicile  | Risk location   | Contract  |
|------------------------------|---|---|---|
| EEA Coverholder and risk     |    |    | Lloyd's Brussels CAA  |
| Orphaned non-EEA risk        |    |    | No contract 'clean handoff' to syndicate Coverholder        |
| Example scenario             | Coverholder domicile  | Risk location   | Contract  |
| Non-EEA Coverholder and risk |   |   | Syndicate binder  |
| Orphaned EEA risk            |  |  | No contract 'clean handoff' to Lloyd's Brussels Coverholder |

#### Binding



Orphaned risk bound by third party Coverholder

#### Licensing



CH must have the appropriate licences to introduce business and perform any administrative services

#### Processing



This could range from nil to partial processing activity based on approach adopted

#### Policy / Certificate



Policy wordings are the responsibility of the entity binding the risk

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# Complaints

# Complaints handling

Where a Coverholder or TPA has complaints handling authority

## Current state

- The majority of Coverholders within the EEA have Complaints Handling Authority delegated to them and therefore are the initial complaints handling parties. By default, the CAA (Section 22) will delegate the handling of complaints to the Coverholder. Any change to this will require a formal amendment request to Lloyd's
- Complaints handled by these parties are reported directly to Lloyd's\*
- Lloyd's Review complaints handling in order to maintain standards

## Brexit impact

- Lloyd's Brussels will have a responsibility to oversee the delegated activity of complaints handling and ensure all complaints are being handled in accordance with local regulatory requirements
- Lloyd's Brussels will be permitted to delegate the authority to handle complaints to Coverholders, as long as they are provided with a mandate to make decisions and they have appropriate and transparent complaint handling processes
- There is no regulatory requirement for an internal 2-stage complaints process

## Change required

- Authority is delegated to Coverholders and TPAs to investigate and decide complaints, on behalf of Lloyd's Brussels
- As per current process, Lloyd's Brussels will review this post resolution
- Lloyd's Brussels will monitor through a combination of sample checks and thematic / targeted reviews
- Where the required standards have not been met, Lloyd's Brussels will request corrective action. Lloyd's Brussels will reserve the right to sanction a Coverholder and require the Managing Agent to delegate complaints handling authority to an alternative third party capable of handling them to an appropriate standard

## Complaints handling

Open Market or Delegated Authority, where there is no Coverholder or TPA with complaints handling authority

### Current state

- A small proportion of EU / EEA Coverholders do not have complaints handling authority
- For open market policies and instances where a Coverholder does not have complaint handling authority, any complaints received are handled and investigated by the lead Managing Agent
- Lloyd's do not currently handle or investigate complaints for EEA policies

### Brexit impact

- The unlicensed status of Managing Agents in the EEA will prevent them from contacting policyholders directly. As such, these complaints will need to be investigated by Lloyd's Brussels

### Change required

- By default, the CAA (Section 22) will delegate the handling of complaints to the Coverholder. Any change to this will require a formal amendment request to Lloyd's
- Lloyd's Brussels must be sent the complaint and is responsible for making the final complaint decision
- Lloyd's Brussels are responsible for direct policy holder contact and oversight of the complaint handling
- Lloyd's Brussels will refer the complaint to the relevant Managing Agent to investigate and recommend a response
- Lloyd's Brussels shall review, confirm and issue the response
- Additional guidance on the process and proposed SLAs will be provided in due course

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# Long-term agreements



## Long-term agreements | Binding authorities & CAAs

There is a requirement for existing multi-year binders to be transferred to a CAA pre-1/1/19

**Multi-year binders** (binders with a duration >18 months) with EEA risks will need to be **transferred to a CAA** at 01/01/19. If a **multi-year CAA** is required, this constitutes a change to the standard CAA terms, which must be approved by LB. Risks written under multi-year CAAs should be written on the same basis as currently specified in the LMA3113M and underlying policies should not exceed 1-year duration.

### Existing multi-year agreements

- Existing multi-year binders are required to be **transferred to a CAA** ahead of 1/1/19 or split between a syndicate binder (for non-EEA risks) and a CAA (for EEA risks).

### New multi-year agreements

- New multi-year binders for EEA risks incepting 1/1/19 or later must be written via Lloyd's Brussels. Where applicable, there will be a split contract to enable the placement of EEA risks and non-EEA risks.
- An amendment of the standard CAA agreement will need to be requested to set up a multi-year agreement. Guidance on requesting amendments can be found on page 18.

## Long-term agreements | Policies

Underlying long-term EEA risks / policies will need to be transferred to Lloyd's Brussels

There is a requirement to transfer existing long-term EEA risks / policies to Lloyd's Brussels. Timelines are dependent on whether policies are subject to annual re-signing as stated in the existing binding authority agreement.

### Policies subject to annual re-signing

Long-term EEA policies that are subject to an annual re-signing are required to be transferred to Lloyd's Brussels at the next re-signing date (after 01/01/19). For long-term policies with EEA and non-EEA risks, the following scenarios apply:

1. Risks located in EEA & UK:
  - Option 1: Place all policies with LB
  - Option 2: Split policies between LB (EEA) and LL (UK)
2. Risks located in EEA & other (non-UK):
  - Split policies between LB (EEA) and LL (other – non-UK)

### Policies not subject to annual re-signing

Long-term policies that are not subject to annual re-signing will continue to be in place (under a binding authority) until their original expiry date.

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# Tacit Renewals

## Tacit Renewals

EEA policies with tacit renewals are required to be cancelled and cover replaced by Lloyd's Brussels

EEA policies with tacit renewal can not be renewed as part of the existing binder agreement, as all EEA business will need to be transacted via Lloyd's Brussels under a CAA from 1/1/19. If your current EEA binder includes policies that are subject to tacit renewals, policy holders will need to be provided with a **notice of cancellation** (NoC) in accordance with local regulations applicable to the contract. At the same time policy holders can be offered **replacement cover through Lloyd's Brussels**.



### Replacement coverage on behalf of Lloyd's Brussels with effect from 1/1/19 may be offered only if:

1. The Outsourcing Agreement and Reinsurance Agreement between the Managing Agent and Lloyd's Brussels have been executed;
2. A Coverholder Appointment Agreement (CAA) with the relevant Coverholder and Lloyd's Brussels is in place; and
3. Risks incept after 1/1/2019

If for any reason the Managing Agent has not put in place the requisite agreements before the deadline for providing notice of cancellation to the policyholder, then the notice of cancellation must nevertheless be issued in compliance.

Extensions to the CAA transition date can be requested as per page 19. Please note that there is an expectation that the CAAs for 30-day and 60-day renewals will be in place, therefore the granting of dispensations cannot be assumed.



Please refer to Crystal for further guidance on tacit renewal requirements per territory, including the mandatory notice period for cancellation of such policies with those requirements.

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# Master Policies

## Master Policies

The impact of Brexit on master policies will depend on the structure of the master policy

A master policy (also known as a group policy) is an insurance policy issued to a master policyholder who purchases the insurance to provide the benefit of insurance coverage to the members of a defined group or association. The individuals who are covered parties are not parties to the insurance contract.

For all new master policies written from 1/1/19 consideration will need to be given to the risk location taking into account the location(s) of both the master policyholder and all covered parties. It will not be possible to have a master policy with risks located both within and outside the EEA.

For existing master policies the nature of the master policy will determine the steps that need to be taken. For this purpose there are two types of master policy:

| Example scenario          | Description  | Impact at 1 / 1 / 19   |
|---------------------------|--|--|
| <b>Automatic coverage</b> | Premium paid in full at inception of the master policy by the master policyholder and members of the group receive coverage automatically. | Existing Master Policies can continue to expiry. At renewal, master policies with risks located in the EEA will need to be written by Lloyd's Brussels.  |
| <b>Opt-in coverage</b>    | Premium paid and processed as new members join the group or opt-in to coverage throughout the period of the master policy                  | New EEA risks cannot attach to a Lloyd's master policy from 1/1/19. Existing master policies with risks located in the EEA must therefore cease attaching new covered parties from 1/1/19 and a new master policy will need to be written by Lloyd's Brussels. |

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