

31 March 2020

## Delegated Authority Business – Immediate Guidance

Lloyd's recognises that the current Covid19 situation is presenting unique challenges to many of our consumer and SME customers. In addition, the current working restrictions may impact upon the operational arrangements for Underwriters, Brokers and Coverholders. Accordingly, Lloyd's has decided to provide the following market guidance in order to ensure fair outcomes for our customers during these unprecedented times.

However, please note that local regulatory and legal requirements should always be met and nothing in the following is intended to supersede or vary those requirements. (For example, many US states have issued guidance on cancellation/nonrenewal and/or premium grace periods as a result of the covid-19 situation).

1. **Premium non payment** – Lloyd's expects Underwriters to ensure that they do not automatically cancel policies for consumer and SME customers by reason solely of the application of a non-payment of premium clause for a period of non-payment for up to 60 days. Therefore, Underwriters should discuss the operation of this clause with their Coverholders to ensure that this provision is not being automatically applied regardless of the policyholder's circumstances. Cancellation may still be made for any other valid reason whether in-line with contractual or other legal basis.

In respect of policies for other customers, Lloyd's expects Underwriters to have regard to the suitability and fairness of applying such a provision.

2. **Extensions of binding authority contracts** – We are aware that there are currently challenges in completing the renewal of binding authority arrangements. It is preferable that binding authorities are renewed rather than extended (even if arranged as a short period renewal pending a full renewal).

However, where an existing binding authority contract is due for renewal, but current operational restrictions impede the ability to effect a timely renewal or where tacit renewal provisions mean an extension of the binding authority is necessary, then Underwriters should consider an extension to the binding authority. Underwriters may give such an extension even if this extends the overall binder period to more than the current limit of 18 months (or 36 months for a 3 year binding authority). In this case please email [coverholders@lloyds.com](mailto:coverholders@lloyds.com) so that we may keep a record and to obtain an email that may be used for Bureau processing.

Where the effect of the extension would have the effect of overwriting the syndicate's agreed business plan then we expect Underwriters to take a

pragmatic approach having regard to both the interests of customers as well as wider prudential considerations. However, Lloyd's would not expect an extension to be refused solely because it would lead to overwriting a business plan.

3. We are also notifying the following changes intended to reduce the current administrative burden on effecting renewals. These apply with immediate effect until otherwise notified -
  - (a) We expect the Lead Managing Agent on a Binding Authority to be responsible for the binding authority renewal compliance due diligence in accordance with the DA Code of Conduct. Key compliance information should be uploaded to ATLAS so that followers have access to that information and all reasonable efforts should be made to avoid duplication of compliance due diligence.
  - (b) Currently binding authority contracts need to name each individual who has authority in the coverholder to bind risks, issue insurance documents or settle claims (and binders need to be endorsed with any changes to these named persons). This would include "remote workers" carrying out the above functions who would also be named on the binding authority.

With immediate effect, only the individual(s) with overall responsibility for the binding authority (ie those who would be named in section 3.1 of the model binder wording) must be named. A list of the persons who would otherwise be named in sections 3.2, 3.3 and 3.4 and any remote workers should be separately maintained on ATLAS.

In addition, "remote worker application forms" do not need to be completed in respect of coverholder staff who are now working from home (unless that location is now a new trading location for the coverholder). Please refer to following link for further information on this -

[www.lloyds.com/market-resources/delegated-authorities/applications-and-processes/post-approval-changes/key-staff](http://www.lloyds.com/market-resources/delegated-authorities/applications-and-processes/post-approval-changes/key-staff)

- (4) **Delegated Claims Resilience** – Service continuity of DA service providers, particularly TPAs, is being assisted through the LMA's DA Claims and Covid19 Claims Steering Group. To help enable TPAs to focus on their resources and the ability to service customers we would encourage managing agents to utilise the LMA's centralised delegated claims database which can assist with operational, service resilience and claims performance questions and data.

Any questions in respect of the above may be sent to [coverholders@lloyds.com](mailto:coverholders@lloyds.com)

Paul Brady  
Head of Policyholder & Third Party Oversight  
Performance Management  
Lloyd's  
Telephone +44 (0)20 7327 5750  
[www.lloyds.com](http://www.lloyds.com)