

Covid-19 Guidance to the market



14 May 2020

Lloyd's Insurance Company 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 have an impact upon the operational arrangements for Underwriters, Brokers and Coverholders. Accordingly, Lloyd's Insurance Company has decided to provide the following Delegated Authorities guidance in order to ensure fair outcomes for our customers during these unprecedented times.

However, 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 European states have issued guidance on cancellation/nonrenewal and/or premium grace periods as a result of the covid-19 crisis).

1. **Premium non-payment** –Lloyd's Insurance Company 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.
For EEA business we want to emphasise that in several EEA jurisdictions, non-payment or late payment of premium is legally not a sufficient reason to automatically cancel an insurance policy, so this needs attention and to be discussed before a cancellation decision is made.

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

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

However, where an existing CAA 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 CAA authority is necessary, then Underwriters

should consider an extension to the CAA. Underwriters may give such an extension even if this extends the overall CAA period to more than the current limit for Lloyd's Insurance Company of 18 months. In this case please email coverholder@lloyds.com so that we may keep a record and to obtain an email that may be used for Xchanging processing.

Where the effect of the extension would lead to writing beyond the amounts agreed with LIC, the company expects Underwriters to take a pragmatic approach having regard to both the interests of customers as well as wider prudential considerations. However, Lloyd's Insurance Company 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 Managing Agents acting as Lloyd's Insurance Company agents on a CAA to be responsible for the CAA 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 CAA contracts need to name each individual who has authority in the coverholder to bind risks, issue insurance documents or settle claims (and CAAs need to be endorsed with any changes to these named persons). Also, all "remote workers" should be named on the CAA. With immediate effect only the individual with overall responsibility for the CAA authority (section 3.1 of the model 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. Please note that "remote party application forms" do not need to be completed in respect of coverholder staff who are working from home (unless that location is now a new trading address).

4. **Operational and regulatory countries requirements:**

Managing Agents acting as Lloyd's Insurance Company agents must consider the regulatory and operational ramifications, within the country they intend to apply endorsements or exclusions on, as well as the impact on their coverholders. For instance, in Italy, tacit renewals provisions require that minimum notice periods must be respected and anticipated to address operational issues. Further guidance on international conduct requirements is available on Crystal.

Any changes to current policies via endorsements, particularly with consumers, shall follow the usual POG process and Lloyd's Insurance Company expects managing agents to discuss with it in advance any proposed material amendment to an existing consumer or SME facing product where that amendment could raise regulatory, conduct risk or operational issues.

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