

# Accessing Lloyd's Europe.

A guide for Brokers.



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**This guide is for European brokers wishing to understand the most suitable options to access the Lloyd's market.**

**Lloyd's is the global centre for specialist insurance and reinsurance. We are committed to brokers being at the centre of our distribution chain.**

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# Benefits of working with Lloyd's

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Lloyd's offers brokers a secure market of diverse participants, each with differing strategies and risk appetites, where policyholders benefit from Lloyd's financial security and unrivalled expertise.

Lloyd's Europe is Lloyd's first Europe wide operation, established to bring the scale, expertise and capacity of the world's specialist insurance market closer to its customers in Europe through a locally staffed and regulated insurer.

Lloyd's Europe's IDD-compliant model houses 280+ seconded underwriters based in London with regulatory status.

Lloyd's Europe can write business in 18 Solvency II classes of business across the European Economic Area, Monaco and the UK and provides access to innovative products of insurance.

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# Section 1 / Introduction – How to access Lloyd's

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European retail brokers seeking access to the Lloyd's market have a number of options and each one offers different advantages and considerations. The choice will be determined by the level of direct access to Lloyd's a broker may wish to have.

The EU Broker Market Gateway option is the focus of this guide and is explored in detail in [Part C](#). [Part A](#) and [B](#) provide a high-level overview of their respective options and the reader will be invited to consult more complete sources of information or to contact relevant teams where appropriate.



## Part A / Lloyd's brokers

The retail broker may become registered with Lloyd's or use an existing wholesale Lloyd's broker

## Part B /

Use a registered Lloyd's Coverholder

## Part C /

EU Broker Market Gateway

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## Part A / Lloyd's Broker

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A registered Lloyd's broker has the ability to transact (re)insurance business directly with Lloyd's underwriters in London.

A broker seeking to access the Lloyd's market may:

1. Become a Lloyd's registered broker or
2. Collaborate with an existing Lloyd's broker.

### **Become a Lloyd's broker**

To become registered with Lloyd's, the broker must meet process and compliance criteria in order to receive sign-off from Lloyd's.

Advantages of becoming a Lloyd's broker in Europe:

- One Terms of Business Agreement (TOBA) with Lloyd's Europe for all managing agents;
- Multinational policies;
- Use of Lloyd's brand;
- Placement of binding authorities.

Considerations include:

- £10,000 Registration fee;
- 3 x letters of support from managing agents. Together with a robust business rationale for placing business at Lloyd's.



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The process and compliance criteria that must be satisfied as part of the registration process are available on the Lloyd's website at <https://www.lloyds.com/join-lloyds-market/broker>.

This includes the set-up of a Central Settlement Number (CSN) and [onboarding with Velonetic](#).

### **Use a wholesale Lloyd's broker**

Where becoming a Lloyd's registered broker is not the preferred option, you may work together with an existing Lloyd's broker to access the Lloyd's market.

Lloyd's brokers have strong direct relationships with underwriters and a good understanding of how the Lloyd's market operates. They are familiar with the process of binding a risk as well as processing it on the Lloyd's market.

A complete listing of Lloyd's registered brokers is accessible on the Lloyd's Market Directory: <https://ldc.lloyds.com/market-directory>.

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## Part B / Lloyd's Coverholder

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A coverholder is a company or partnership authorised by a Managing Agent to enter into a contract or contracts of insurance to be underwritten by the members of a syndicate managed by it in accordance with the terms of a Binding Authority.

A complete list of Lloyd's coverholders is accessible on the [Lloyd's Market Directory](#).

### **Become a Lloyd's Coverholder in Europe**

For information on the Coverholder application process and requirements pre-approval and post-approval, visit this page: <https://www.lloyds.com/conducting-business/delegated-authorities/applications-and-processes>.

For any further queries regarding Lloyd's Europe coverholder applications please contact [LloydsEurope.DelegatedAuthority@lloyds.com](mailto:LloydsEurope.DelegatedAuthority@lloyds.com).



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## Part C / EU Broker Market Gateway

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Next to Lloyd's brokers and coverholders, a broker has the option to sign a TOBA with Lloyd's Europe, allowing for direct access to 280+ Lloyd's Europe underwriters for key classes of business within their growth appetite.

Advantages of EU Broker Market Gateway:

- One TOBA with Lloyd's Europe for all managing agents;
- Ability to write EEA business;
- No registration fee;
- No letters of support from managing agents.

Considerations include:

- No placement of binding authorities;
- No multinational policies;
- No use of Lloyd's brand;
- No access to Lloyd's international regulatory database.

### **TOBA signing process**

The broker must meet process and compliance criteria in order to sign a TOBA with Lloyd's Europe.

The 3 main phases to complete are:

# 1.

## **Business appetite discussion with Lloyd's teams**

Initial discussion with the broker, Lloyd's General Representative and Lloyd's teams. The broker provides information on premium volumes and classes of business that would be placed with Lloyd's.

Where broker appetite is matching Lloyd's Europe underwriters' appetite for growth in the specified classes of business and territories, there is a rationale for the application.

The relevant Lloyd's General Representative must sponsor the broker's application in order to proceed to the next phase. Lloyd's team then provides the required due diligence criteria and the application form to be completed by the broker.

# 2.

## **Lloyd's due diligence process**

This phase focuses on providing evidence that the broker has the appropriate regulatory authorisations, and meets the other criteria set by Lloyd's. Final confirmation is from the Lloyd's Europe team.

The broker must provide Lloyd's:

- Completed application form
- Ownership structure chart
- Evidence of company establishment
- Evidence of appropriate regulatory approval(s)
- CVs for board members and other key people within the company
- Evidence that client money funds are held in segregated accounts (or equivalent arrangements)
- Last 3 years' balance sheet and profit and loss accounts
- Proof of adequate PI cover
- Registration with Velonetic and set-up of the Central Settlement Number

Lloyd's also performs a solvency, credit rating and financial crime check as part of this process.

# 3.

## **Onboarding with Velonetic**

This phase runs in parallel with the Lloyd's due diligence process and the outcome is getting set up with Velonetic in order for premium and claims settlements to be processed.

We refer to the How to process business section of this guide for more information on Velonetic and processing.

The key stages in this phase are:

### **1. Allocation of a Central Settlement Number**

These will be used to identify the broker on Velonetic systems.

### **2. Training and testing**

Velonetic will provide training on both Accounting and Settlement (Premiums) and the Electronic Claims File (Claims) systems. After completion of training Velonetic will send a number of test cases to complete.

This establishes that the broker has understood how to use the systems and is familiar with processes in a live environment. User guidelines are also provided for future use.

### **3. Completion of bank mandates and Multi Banking Transaction Initiation (MBTI)**

These are key to establishing access to central settlement and connectivity to the Velonetic systems.

Arrangement of an MBTI agreement enables Lloyd's to debit via Swift.

### **4. Sign-off**

Once the previous steps have been completed, Velonetic will contact Lloyd's Europe who will provide the final approval and confirmation that the organisation may start trading with Lloyd's.

For more details on the onboarding process or processing of business with Velonetic, contact **Robert Fuller** at [rfuller22@dxc.com](mailto:rfuller22@dxc.com) or the **Velonetic mailbox** at [sm.csn.applications@dxc.com](mailto:sm.csn.applications@dxc.com).

# Section II / How to place business at Lloyd's

## Placement of risk

The typical process a broker goes through when binding a risk is explained below and variations are possible depending on the client, risk or approached markets.



**EEA client**

**Step 1.** EEA client instructs broker on the risk to be quoted. Broker collects risk information in an information sheet or in a Market Reform Contract (MRC).



**Broker**

**Step 2.** Broker submits the information sheet/MRC and other supporting documents to one or more Lloyd's Europe underwriters.

Lloyd's Europe teams may facilitate contact with underwriters as and when necessary.



**Lloyd's Europe Underwriter**

**Step 3.** Lloyd's Europe underwriters consider the risk and issue quotations indicating the terms and conditions under which they would be willing to underwrite the risk.


At this point, the broker may negotiate wording, terms and conditions to arrive at a final offer.



**Agreement**

**Step 4.** Broker communicates to client the final quotations provided by underwriters.


The risk is bound when the offer is accepted.



**Velonetic**

**Step 5.** Premium processing starts when the broker uploads the completed MRC and supporting documents on Velonetic systems.

More information on processing in Section III/How to process business in this Guide.



**Insurance policy**

**Step 6.** Broker issues evidence of cover to the client, along with a premium invoice.

In the London Market, brokers typically use the completed MRC used for risk placement, excluding irrelevant sections, to furnish the amended document as proof of insurance policy to the client.

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### Electronic placing

The negotiation and presentation of the risk by the broker to the underwriter has traditionally been a face-to-face process. However, electronic placing offers the opportunity to remove the face-to-face negotiations when it adds no real value to the transaction.

Placement platforms can handle the whole binding process from quote, through binding the final risk and post bind endorsements, while providing a full audit trail and the opportunity to tie in with back office systems.

Placement platforms frequently used in the market include [PPL](#), [Whitespace](#), [OpenTwins](#) among others. A separate cost is required for their services.

### Market Reform Contract

In the Lloyd's market, risks are placed using a standard document called a Market Reform Contract (MRC). This document describes the risk and related contractual, regulatory and administrative information in a standard file format.

The broker presents the MRC to the underwriters and one underwriter may take on 100% of the risk or a proportion of it, in which case the broker may approach further underwriters to fulfil the policyholder's total risk.

Guidance defining the layout and content of a standard MRC is available on The London Market Group (LMG)'s [website](#).

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## Wordings

Lloyd's Wordings Repository provides underwriters with access to established model wordings and clauses which are in current use, in all lines of business, against which slips/MRC can be referenced. The Repository includes all wordings developed by the LMA and wordings developed by other industry organisations, as well as many wordings from individual managing agents, other insurers and brokers.

In addition to the above, brokers and underwriters usually also maintain and can provide standardised wordings, however they are not rigid, and amendments can be discussed.

Underwriters may consult the Crystal tool at <https://www.lloyds.com//conducting-business/regulatory-tools/crystal> to understand regulatory requirements in specific territories. However, the brokers should also be vigilant and flag any points of attention.

## Translation in local language

Some jurisdictions require policy documents provided to the client to be translated in the local language. The underwriters may verify where this is required by consulting the Crystal regulatory tool.

In these cases, the underwriters will generally trust the producing broker to contact a trusted local law firm with expertise in this area and translate the policy wordings.

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# Section III / How to process business

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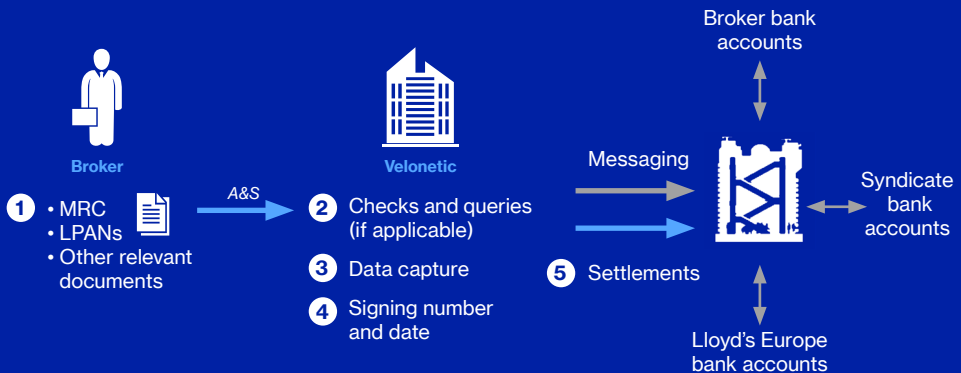
## About Velonetic

Velonetic (previously known as Xchanging) is the company that manages the central market databases for both premiums (XIS) and claims (XCS), and also facilitates the movement of funds for the market through central settlement systems.

Once the risk is fully placed, the policy and supporting documents must be submitted centrally to Velonetic for recording on the central market database and the premium paid to the insurers. When executing the processing in-house, the broker uses a system known as Accounting and Settlement (A&S) to submit all the documents electronically to XIS.

### Processing of premium

The typical process a broker follows when processing a risk in the Lloyd's market is explained below.



**Step 1.** The broker prepares the MRC, LPAN (London Premium Advice Note) and other relevant documents (such as tax schedules) and submits them to Velonetic using a system called A&S (Accounting and Settlement).

**Step 2.** Velonetic checks that all mandatory fields have been correctly completed and addresses queries to the broker if necessary.

**Step 3.** When queries are resolved, Velonetic captures risk data and premium information (amounts, deductions and timing of payments) on the risk databases.

**Step 4.** A signing number and date are created and overnight messaging will update the managing agents' systems.

**Step 5.** At the appropriate time, Velonetic facilitates the movement of the premium from the brokers' accounts to the insurers' accounts.



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### **Considerations**

Some brokers may choose to outsource the back office processing to a third party.

In this case, a third party would administer the broker's CSN and perform certain services for the retail broker against a specified fee.

Third party services vary but generally include the below:

- Assist on preparing risk placement documents;
- Processing and uploading of risk placement documents onto the Velonetic systems;
- Attend and answer systems-related queries;
- Assist with market wordings, endorsements, prepare schedules and complete policies;
- Endorse processing;
- Process claims in the systems.

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# Frequently Asked Questions

## **Can a broker accessing Lloyd's via the EU Broker Market Gateway present themselves as a Lloyd's broker?**

EU Broker Market Gateway and Lloyd's brokers are two different options to access the Lloyd's market and they each come with different advantages and considerations. One of the considerations for the EU Broker Market Gateway is that they may not present themselves as a Lloyd's broker and as consequence may not use the Lloyd's brand either.

## **Can a broker accessing Lloyd's via the EU Broker Market Gateway place a binding authority?**

Brokers accessing Lloyd's via the EU Broker Market Gateway may only place business on an open market basis.

## **Can a broker accessing Lloyd's via the EU Broker Market Gateway obtain a Lloyd's pass?**

Brokers accessing Lloyd's via the EU Broker Market Gateway will not receive a permanent Lloyd's pass. Instead, as and when they wish to visit the Lloyd's building, they will receive day passes arranged by a sponsoring host in advance.

## **Can a broker accessing Lloyd's via the EU Broker Market Gateway conduct insurance distribution activities within the UK (in the Lloyd's building)?**

The EU Broker Market Gateway has been set up to provide direct access to Lloyd's Europe underwriters for European business. However, brokers wishing to extend their activities beyond Europe may do so as long as they behave in accordance with the local regulation. Concerning insurance distribution activities conducted within the UK, brokers are

strongly encouraged to secure a legal opinion providing clarification on the activities that are out of scope of UK regulation and those that would require an authorisation.

**What is a broker accessing Lloyd's via the EU Broker Market Gateway allowed to do in the UK?**

Brokers accessing Lloyd's via the EU Broker Market Gateway might perform activities in the UK that do not fall under the category of 'regulated activities' and would therefore not require an FCA authorisation. There are certain circumstances in which a broker may rely on the Overseas Persons Exemption or the Large Risks exemption. However, brokers are strongly encouraged to secure a legal opinion to understand which activities are out of scope of UK regulation and which would require an authorisation.

**Can a broker accessing Lloyd's via the EU Broker Market Gateway obtain a Central Settlement Number with Velonetic in its own name?**

Every broker accessing Lloyd's via the EU Broker Market Gateway should set up a Central Settlement Number with Velonetic in its own name. This unique number will be mentioned on all policies placed on the Lloyd's Market and will ensure that corresponding premium and claims can be traced back to the relevant broker.

**Can processing at Lloyd's be outsourced?**

Every broker will make a business decision to either (1) handle the processing with Velonetic in-house or (2) outsource this activity to an external, more specialised party. Each choice comes with its advantages and considerations and should be carefully considered.

**Does a broker accessing Lloyd's via the EU Broker Market Gateway need to hold a British bank account to trade with Lloyd's?**

Lloyd's checks that the broker holds segregated bank accounts for client premium and other operational money. There are no limitations regarding the bank(s) with whom the broker should hold accounts.

**Is there any ongoing transaction cost for brokers?**

There is no ongoing Lloyd's charge to brokers for placing and processing business at Lloyd's.

**Are brokers accessing Lloyd's via the EU Broker Market Gateway required to sign separate Terms of Business Agreements (TOBA) with each Managing Agent they wish to work with?**

Brokers wishing to access Lloyd's via the EU Broker Market Gateway must complete a due diligence process with Lloyd's Europe at the end of which they are able to sign a European TOBA with Lloyd's Europe. This TOBA covers all Managing Agents for European business transacted through Lloyd's Europe and no other separate TOBAs are required for this type of business.

**Need more information?**

For more information on specific insurance terms and acronyms used in the Lloyd's Market, please visit the Lloyd's Glossary and Acronyms page available on Lloyd's website: <https://www.lloyds.com/help/glossary-and-acronyms>.

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