

**REVIEWED**

*By Chris Tighe at 10:49 am, Jan 09, 2017*

The Market > I am a... > Delegated Authority > Compliance & Operations

# About Coverholders

Share

Delegated underwriting refers to an arrangement under which a Managing Agent of a syndicate delegates its authority to a company or partnership to enter into contracts of insurance on behalf of the syndicate.

NEXT ►

The most common method is to delegate authority to a "Coverholder" under the terms of a Binding Authority contract.

## What is a Coverholder?

"Coverholder" means 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. For more information please see [Definitions Byelaw](#).

## What is a Binding Authority?

A "Binding Authority" is an agreement between a Managing Agent and a Coverholder under which the Managing Agent delegates its authority to enter into a contract or contracts of insurance to be underwritten by the members of a syndicate managed by it to the Coverholder in accordance with the terms of the agreement. For more information please see [Definitions Byelaw](#).

A [Binding Authority agreement](#) can also be used to give a Coverholder the authority to issue insurance documents on behalf of Lloyd's syndicates. The Binding Authority agreement will also set out the Coverholder's other responsibilities, such as handling insurance monies or agreeing claims. The relationship between the Coverholder and the members of a syndicate is one of agency delegating authority. The contract setting out the extent and terms of the Coverholder's delegated authority is known as a Binding Authority.

To become a Coverholder at Lloyd's the entity must be sponsored by a Managing Agent, and approved by Lloyd's. Therefore the entity must meet certain standards to become an Approved Coverholder.

## [Code of Practice Delegated Underwriting](#)

### [Coverholder Flyer](#)

#### **The role of the Coverholder**

When a Lloyd's Managing Agent delegates its authority to an approved Coverholder under a Binding Authority, the approved Coverholder may enter into contracts of insurance and issue insurance documents as evidence that contracts of insurance have been accepted.

An approved Coverholder will normally also be allowed to collect premiums, and may be allowed to handle claims or perform other functions. The scope of its authority will be set out in the contract called the [Binding Authority agreement](#).

#### **Benefits of Coverholder arrangements**

The Coverholder model is a proven and successful way of placing business with Lloyd's, providing benefits to each of the parties involved.

#### **Benefits of being a Coverholder**

Coverholders benefit from partnership with Lloyd's syndicates by gaining access to Lloyd's excellent brand, security and ratings, as well as access to experienced Underwriters and Brokers. Coverholders may therefore offer a wide range of specialist classes of business underwritten at Lloyd's, for example personal accident cover for sports people and specialty liability insurance.

#### **Benefits of placing business with Lloyd's Coverholders**

In addition to the above benefits, placing business with Coverholders provides a more cost effective means to access Lloyd's than on an open market basis.

#### **Benefits for Lloyd's syndicates**

Coverholders enable syndicates to underwrite locally without the need for expensive local infrastructure. The key to this is finding Coverholder partners with the right experience and quality.

These businesses will usually have considerable expertise in particular niche products and regions and have excellent local relationships. They can also help develop new products in partnership with Lloyd's Syndicates and Lloyd's Brokers.

Lloyd's keeps a [directory of all of its Coverholders](#) which will tell you which Lloyd's Coverholders are approved in your country.

In order to find a local Coverholder for a specific class of business, it would be beneficial to contact a Lloyd's Broker who deals with Coverholder business. You can find a [directory of Lloyd's Brokers](#) online.

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