HMRC - IPT02400 - Lloyd's

Lloyd’s is not an insurance company but an insurance market, where the members of Lloyd’s join together as syndicates to insure and reinsure risks. The first Lloyd’s Act, passed by the UK Parliament in 1871, recognised the legal foundations of the Lloyd’s market and formalised its structure. It created the Corporation of Lloyd’s, which is a non-stock corporate entity financed by annual subscriptions and entrance fees from members. Its function is to provide the premises, administrative staff and services to enable the members to transact insurance business. The Corporation is also responsible for implementing the rules and regulations which govern the Lloyd’s market. The Corporation of Lloyd’s is not itself authorised to write any insurance business in its own name: instead the insurance is written by the members of Lloyd’s.

Lloyd’s members conduct their insurance business in syndicates, each of which is run by a managing agent. A syndicate is a group of members on whose behalf insurance business is accepted by an active underwriter employed by the managing agent. A syndicate is not a legal entity. Syndicates generally have a number of members although there are some single corporate member syndicates operating in the Lloyd’s market. Although members combine into syndicates the liability of each member is confined to the share of the liability that the member has accepted under policies underwritten on its behalf. Members do not have joint liability with any other member of the syndicate.

Insurance business is brought to the underwriters primarily through Lloyd’s Brokers. Brokers and other third parties may also hold binding authorities which enable them to accept risks on behalf of the members of a syndicate, subject to certain conditions and limits. Lloyd’s Council has made rules governing the operation of these binding authorities.

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