

XL Insurance Reinsurance

AXA XL Coverholder Delegated Authority

Existing Approved Coverholder Handbook

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Contents

AXA XL Continued Partnership **3**

Welcome to AXA XL **3**

Supporting you throughout the life cycle 3

About AXA XL 3

Guidance regarding your duties assumed under a Delegated Authority Arrangement **4**

1. Conduct Risk & Product Governance 4
2. Arrangements to Handle Claims 6
3. Consumer Duty 7
4. Data protection 9
5. Financial crime, licensing, and sanctions 10
6. Bordereaux 10
7. Tax and regulatory reporting 11
8. Cascading risk transfer 12
9. Wordings and certificates 12
10. Handling complaints 13
11. Contract review 14
12. Brand guidelines 15

AXA XL Coverholder - Oversight **15**

13. The audit process and contract certainty 15
14. Continuous assessment / Risk-based approach 16
15. Our Code of Conduct 16

Appendices: **17**

1. What Good Looks Like Document 17
2. Consumer Duty MI 17
3. Customer Communication Testing Checklist 18

AXA XL Continued Partnership

As an existing approved AXA XL Coverholder, we value your business and our commercial relationship. As you are aware the delegated authority regulatory environment has been subject to many changes over the last five years. Transacting business in this heavily regulated environment has become very challenging.

AXA XL has developed this Delegated Authority Handbook, which we hope will provide our Coverholders with a better understanding of the regulatory and data reporting requirements that apply when operating a delegated authority arrangement.

This handbook will provide you with information regarding the various AXA XL governance procedures and data reporting requirements that as your capacity provider we need to obtain to meet our various regulatory obligations.

Welcome to AXA XL

Supporting you throughout the life cycle

Our dedicated Delegated Underwriting Governance (DUG) team is ready to support you throughout your relationship.

Our DUG team are specialists who can offer expert guidance and support, including:

1. Tailoring procedures to address local jurisdictional requirements
2. Communication of key regulatory requirements and expectations to key stakeholders
3. Providing a central point of contact for all governance enquiries.

Understanding your markets

With over 30 years working in partnership with Coverholders offering delegated authority solutions, we have the knowledge and expertise to assist in the decision-making process close to the markets you serve. With our variety of underwriting platforms incorporating both Lloyd's of London and Company markets, we will work with you to tailor cover to your clients' needs and create bespoke solutions that work for your markets.

About AXA XL

AXA XL is the global brand for the Group Property & Casualty insurance and reinsurance placements providing property, casualty, professional and specialty products to industrial, commercial, and professional firms, insurance companies and other enterprises throughout the world. As an AXA XL Coverholder, you will have access to the following AXA XL group platforms:

- AXA XL Insurance Company UK Limited
- XL Insurance Company SE
- Lloyd's Syndicate 2003 (managed by AXA XL Underwriting Agencies Limited)
- Lloyd's Syndicate 3002 (managed by AXA XL Underwriting Agencies Limited) (Life only)

To out more about our group, visit axaxl.com

Lloyd's Insurance Company (LIC)

Following Brexit, all risks located, and policy holders domiciled in the EEA where on Lloyd's paper have been written through the Lloyd's Insurance Company (LIC) platform headquartered in Brussels.

For you to be able to write EEA risks, you must be an approved LIC Coverholder. If you aren't LIC approved, our DUG team will be there to support and manage you through the application process.

Guidance regarding your duties assumed under a Delegated Authority Arrangement

1. Conduct Risk & Product Governance

Fair Value Assessments

AXA XL as part of the FCA's enhanced product governance rules (PROD 4) is required to conduct an annual fair value assessment on the products that fall within the scope of the guidance. This requirement works alongside the FCA's Consumer Duty, specifically Product and Services and Price and Value outcomes. See attached link: Product Fair Value Assessment & Target Market Statement | AXA XL

The Conduct Risk team manage the fair value assessments and will review a suite of metrics with specific focus on 6 key risk indicators core metrics on an annual basis:

- Claims Repudiation Rate
- Claims Complaints as a % of total claims
- Cancellation Frequency
- Gross Loss Ratio
- Combined Operating Ratio
- Total Acquisition Ratio

The metrics above will help identify any fair value concerns and AXA XL will be able to take suggested remedial actions to support the product into providing sufficient fair value for customers.

In AXA XL, we have a dedicated Conduct Risk Team who are happy to assist you with the on-boarding conduct risk due diligence process along with any support on the Fair Value Assessments carried out annually. For any questions or for more information please send an email to ConductRisk@axaxl.com or AnnualProdReview@axaxl.com.

IDD

This will impact any Coverholder who is UK or EEA domiciled or where you transact business in the UK/EEA:

The IDD is a European Directive that provides an updated legal framework that governs how insurance and reinsurance products are sold and aims to improve customer protection.

The requirements of the IDD became mandatory across most EEA member states from 1 October 2018. The IDD is a minimum harmonisation directive, and all EEA member states should therefore have adopted at a minimum the requirements of the IDD into national law. The different EEA member states can and have enhanced and gold plated some of the IDD requirements when implementing the requirements locally.

If you are operating a delegated authority contract selling to customers within the EEA, you must ensure that you clearly understand the IDD requirements for all relevant jurisdictions and your responsibilities as a Coverholder to comply with those requirements. The following section provides an outline of key IDD requirements and sets out how AXA XL will liaise with you to allocate IDD product manufacturer responsibilities.

The IDD introduced a new customer's best interests rule which requires firms to act honestly, fairly and professionally in the best interests of customers. Further, the IDD provides that insurance distributors must not be remunerated or remunerate or assess the performance of their employees in a way that conflicts with the customer's best interest rule.

Additional key IDD requirements include:

- Conduct of business – the demands and needs statement and recommendations (where advice is given) must be personalised. Firms must disclose whether they are an insurer or intermediary, whether or not they provide advice and whether they act for the customer or the insurer.
- Remuneration – intermediaries must disclose remuneration which has a direct connection to the insurance contract being sold, including the nature and basis of remuneration and exact amount of fees payable directly by the customer.

- Cross Selling - The IDD provides that where a non-insurance ancillary product is sold with an insurance product, intermediaries are required to inform the customer whether it is possible to purchase the components separately, describe the different components of it (including the costs), and confirm whether the insurance differs when it is sold separately. In relation to ancillary insurance products sold with non-insurance products, the IDD provides that the non-insurance product must be offered separately.
- Good Repute - all persons in a firm's management structure responsible for, and any staff directly involved in, insurance distribution activities must be of good repute. Records must be kept which demonstrate compliance.
- Continuous Professional Development (CPD) - all staff directly involved in insurance distribution activities and their managers must have appropriate knowledge and ability to perform their roles. Coverholders must ensure that any employees undertaking insurance distribution activities engage in continuing professional development (CPD) that will ensure an adequate level of performance to a minimum of 15 hours per annum and should ensure that any local European variances to these requirements are identified and addressed. The training should be tailored to the role, the type of distribution and the product and must provide defined minimum necessary knowledge.
- Professional indemnity cover - The IDD requires Coverholders to have professional indemnity insurance of €1,250,000 per year per claim and €1,850,000 per year in aggregate for all claims.
- Marketing communications – the IDD requires firms to ensure that insurance distribution marketing communications are always clearly identifiable as such.
- Ancillary insurance intermediaries (AIIs) - this new category of insurance distributor which was introduced by the IDD. Additional requirements introduced by the IDD apply in relation to the different categories of AIIs.

In addition to the above the IDD has introduced detailed product oversight and governance requirements. As a Coverholder, if you have a decision-making role in designing and developing insurance products for any type of customer, we will need to work closely with you in the area of product design and governance and co-operation agreements will be required so that each of us is aware of what our requirements and responsibilities are in this process.

Where a product is AXA XL branded and AXA XL wording is used, AXA XL is likely to be categorised as the sole product manufacturer. In all other instances AXA XL and the Coverholder would generally be deemed co- manufacturers. The LMA endorsement LMA5312A (non-UK/EEA Coverholders) and LMA5312B (UK Coverholders), sets out the broad product 'manufacturer' responsibilities under the IDD which are: Product Approval Process; Target Market; Product Testing; Distribution Channels and information disclosure to distributors; Product Monitoring and Review; Distribution Channels and IPID Development.

Where applicable AXA XL's Underwriter will review and complete this endorsement with you, and it will be added to the LMA model binding authority agreement to allocate of manufacturer responsibilities under the new product oversight and governance requirements. In outline the manufacturer responsibilities require the following:

Product Approval Process: Product Manufacturers must ensure that they have an appropriate written product approval process which meets the requirements of the IDD. The written policy must be made available to all relevant staff.

Target Market: Identifying a target market and the common interests, objectives and characteristics of members of that group and then designing the features of a product to meet their needs as part of the product approval process is core to the IDD product governance requirements. Manufacturers are required to provide distributors with details of the identified target market and the target market assessment, (this might be achieved through the production of a summary of the product approval assessment). In circumstances in which AXA XL has been categorised as the Product Manufacturer for identifying a target market we will require your assistance to ensure that distributors are provided with this information. The manufacturer also has a responsibility to verify on a regular basis whether the insurance products are distributed on the identified target market.

Product Testing: Manufacturers are required to test their insurance products appropriately before bringing their products to market, significantly adapting them or if there has been a significant change to the target market in order to assess whether the insurance product over its lifetime meets the identified needs, objectives and

characteristics of the target market.

Distribution Channels and information disclosure to distributors: Manufacturers are required to select distribution channels which are appropriate to the target market and ensure that distributors have the necessary skills and expertise. Manufacturers are also required to provide to distributors information regarding the insurance product itself, the product approval process and the proposed distribution strategy must be shared with distributors to enable distributors to understand and distribute the product. If AXA XL has been categorised as the Product Manufacturer responsible for Distribution Channels, we will require your assistance to ensure that distributors are provided with this information.

Product Monitoring and Review: Manufacturers are required to regularly review both their insurance products to ensure they remain suitable for the target market and their distribution strategies to ensure that they also remain appropriate. An increase in cancellation rates, complaints or cover or indemnity disputes are potential markers that a product is not appropriate.

Distribution Channels: Distributors are required to regularly review their distribution arrangements and any distribution strategy including to ensure that the product is distributed to the target market. Further, distributors are required to provide to manufacturers relevant sales information including information from their reviews of their product distribution arrangements. Insurance distributors are required to set out their distribution arrangements, which must be in accordance with the distribution strategy and target market identified by the manufacturer, in a written document which must be made available to its staff.

IPID Development
Manufacturers must produce an Insurance Product Information Document (IPID) to accompany all consumer policies, as well as commercial products in some EEA jurisdictions. The standardised content of the IPID is defined in the IDD. Where a Coverholder is responsible for developing an IPID we will ask to review the content in the same way that Coverholders' policy wordings are reviewed.

The Product Oversight and Governance requirements do not generally apply to contracts of large risk unless such contracts could be marketed or sold to consumers, micro-enterprises or SMEs. The insurance classes Accident, Sickness, Legal expenses and Assistance cannot be categorised as a large risk.

When carrying out Coverholder audits AXA XL will review your compliance with the requirements of the IDD.

Product Value Information Exchange Document
For UK Coverholders distributing products in scope, AXA XL will provide you with the Product Value Information Exchange Document as part of the Binding Authority Agreement. The document should be completed by both AXA XL and the Coverholder. As you will be acting as the agent of AXA XL under a Binding Authority Agreement, you will be required to distribute the Product Information Pack to any distributor in the distribution chain.

The Product Value Information Exchange Document is not for customers.

The Pack sets out appropriate information with regards to the insurance products, the identified target market and the suggested distribution strategy. If the distributor does not have direct contact with the customer, for example it is a wholesale broker, that distributor shall be instructed to provide the Product Value Information Exchange Document to any distributor which does have direct contact, to ensure consistency throughout the distribution chain.

2. Arrangements to Handle Claims

As an existing approved AXA XL Coverholder, you will be aware of the claim handling arrangements for the products you provide. Your Claims team contact together with our Claims Delegated Authority Governance (CDAG) team will work with you to ensure that the claims handling arrangement remains suitable. If you are applying for authority to settle claims and AXA XL have provisionally agreed to consider this claims handling model, we will need to carry out extra due diligence to make sure you meet our claims management.

Once the information above has been provided, AXA XL will assess your suitability to be granted claims settlement authority and will advise accordingly. Any application for claims settlement authority will be submitted for review and consideration by a local AXA XL governance committee.

Claims Clauses will be updated within the binder at renewal to reflect where the claims authority rests. If the claims authority rests with yourselves, the claims clause will outline our claims handling requirements to include DA Level, Loss fund level, SLAs and reporting requirements, including the provision of MI. If a TPA is handling claims on our behalf this will be indicated in the claims clause. AXA XL will ensure that any contractual obligations with the TPA are updated to reflect our claims handling requirements.

Wherever Claims Handling Authority is provided, AXA XL will ensure that the approved agent complies with Consumer Duty in the provision of claim handling related services, communication and support provided to end-customers. This includes having adequate testing and monitoring processes to ensure good outcomes are at the heart of decisions being made and delivered in line with the Consumer Duty requirements. Evidence of testing may be requested to ensure customer outcomes have been considered. This testing could include internal peer review, customer surveys and the provision and analysis of key performance indicators (aligned to contractual service level agreements).

3. Consumer Duty

The FCA's Consumer Duty sets higher and clearer expectations of consumer protection across financial services, including the parties involved in manufacturing and distributing insurance product and services. The rules apply to all parties in the distribution chain and cover all customers except contracts of large risks sold to commercial customers, and reinsurance. The key requirements include:

- A Consumer Principle that requires firms to act to deliver good outcomes for customers which reflects the overall standard of behaviour the FCA requires from firms.
- Cross-Cutting Rules providing greater clarity on the FCA expectations under the Consumer Principle and helping firms interpret the four outcomes.

The Four outcomes are a suite of rules and guidance, setting more detailed expectations for firms in the following areas:

1) Products and Services
2) Price and Value
3) Consumer Understanding
4) Consumer Support

The Duty is closely linked with the PROD 4 rules outlined in section 5 in a way that the FCA have confirmed that compliance with PROD 4 rules means that firms are largely compliant with the Duty's customer outcomes 1 and 2 (Products and Services, and Price and Value) therefore the arrangements will continue to apply.

Our expectation is that, where regulated by the FCA, Coverholders will have their own approaches in place to comply with the Consumer Duty and will be accountable for any services, communication and support provided to end-customers. This includes having adequate testing and monitoring processes to ensure good outcomes are at the heart of decisions being made and delivered in line with the Consumer Duty requirements. Evidence of testing may be requested to ensure customer outcomes have been considered. This testing could include focus groups and consultations with intended target market and broker network across market scenarios.

As part of our own implementation, AXA XL has considered what good looks like across key customer journey touchpoints and will use this as a benchmark for testing and overseeing how Coverholders are delivering outcomes to customers in line with the Consumer Duty. This includes but is not limited to;

- Products (and Services) are suitable for customers, meeting their demands and needs and with due consideration of customer vulnerability. This includes where any changes made to product coverage is suitable to meet the customers demand, needs and circumstances.
- Products and services are sold at a price that reflects fair value to the end-customer, without any excessive fees or charges.
- The customer is equipped with all the information they need to make an informed decisions throughout the customer journey and product manufacturer regularly satisfies itself that third parties adhere to required standards.
- Information around customer processes is given to the customer in a timely manner and in a way that they can easily understand, taking into consideration any characteristics of vulnerability.

- The firm ensures customers do not face unreasonable barriers when making additional enquiries, across the lifecycle of the product.
- The firm ensures that well-resourced teams eg claims and complaints are in place, allowing for effective management of customer enquiries.

Please refer to the "What Good Looks Like" under ***Appendix 1*** of this Handbook. To ensure effective monitoring of the outcomes of the Duty, AXA XL has developed a list of metrics. These metrics have been drawn from FCA and LMA guidance. Our expectation is that Coverholders will be capturing this information and AXA XL will be engaging with yourselves to undertake the necessary monitoring and reviews as and when required in accordance with the terms of the binding authority agreement. The metrics required can be found in ***Appendix 2*** of this handbook and will run alongside our annual product review process.

To help achieve compliance with the requirements under Consumer Understanding outcome AXA XL have designed a Customer Communication Testing Checklist which can be found in ***Appendix 3*** of this handbook. The checklist is designed to assess and test any piece of communication against 4 areas:

- Design, Structure and formatting
- Information and Content
- Customer Lens
- Customer Journey Specific considerations

Whilst not mandated, the intention of sharing this checklist with our partners is to demonstrate the level of expectations AXA XL has of its partners and highlight various focus points Coverholders will need to consider as part of their internal processes and controls. Where the Coverholder has not got an existing arrangement to test its customer communications, AXA XL does not object to Coverholder adopting the template.

For any questions or for more information please send an email to AnnualProdReview@axaxl.com.

MI Data
Please find attached in Appendix 2 the full list of MI data that AXA XL will be utilising to monitor consumer duty performance. This data will be sourced through the internal AXA XL systems.

However, there are two additional metrics that we will require direct from our UK based Coverholders as follows:

Consumer Understanding
Customer feedback sought - Customer feedback through surveys and questionnaires (Customer journey)

Consumer Support
Vulnerable customers - Vulnerable customers are identified and reported (Customer journey)

These will be included as a reporting requirement under your binding authority contact.

Vulnerable Customers
The FCA considers a vulnerable customer to be someone who: "due to their personal circumstances, is especially susceptible to harm - particularly when a firm is not acting with appropriate levels of care."

Putting customers first including those who are vulnerable, is at the heart of AXA's business strategy. We need to be able to identify our vulnerable customers to avoid the risk of some of our vulnerable customers not receiving good outcomes.

The nature and scale of characteristics of vulnerability
Vulnerability shall be viewed as a spectrum of risk. All customers are at risk of becoming vulnerable at any time and this risk is increased by characteristics of vulnerability. Those characteristics are related to 4 key drivers that need to be considered to decide whether a customer could fall within the classification of a vulnerable customer. The 4 key drivers are as follows:

1. **Health –** health conditions or illnesses that affect ability to carry out day-to-day tasks.
2. **Life Events –** life events such as bereavement, job loss or relationship breakdown.

3. **Resilience –** low ability to withstand financial or emotional shocks.
4. **Capability –** low knowledge of financial matters or low confidence in managing money (financial capability). Low capability in other relevant areas such literacy or digital skills.

If dealing with a customer who is not particularly sophisticated, or who may have a very limited understanding of insurance matters generally, or an entity business experiencing financial strain, in these circumstances, we will be expected to do more; in terms of recognising the customer's vulnerability.

What do you need to do?

As soon you think you may be engaging with a vulnerable customer, whether this is through our identification or they have approached you with the information, you should:

- Make a record of this
- Provide regular opportunities for them to ask questions about the information you have provided
- Regularly seek confirmation that they have understood the information that has been provided
- Answer queries personally, rather than relying on automated responses
- Tailor information presented to individual requirements
- Use plain English. Avoid unnecessary complex information and technical jargon
- Record communication and service needs accurately
- Review any relevant circumstances during the course of the claims process in a sensitive manner; and
- Keep up to date with any newly released public awareness information surrounding disabilities, mental health, financial hardship, etc.

Customers should not need to tell you about their circumstances or characteristics more than once.

Reporting

Once a vulnerable customer has been identified – details of these should be shared with your AXA XL Underwriter or Claims Account Manager to ensure corresponding information flows.

Alternative Documentation

We expect our partners to have appropriate processes in place to meet additional needs of our customers in respect of information presented to customers which are compliant with the requirements of the Duty as well as the Equality Act 2010 – this may include providing documentation and communicating using a different format such as large print, audio or Braille to ensure customers with additional needs receive the appropriate level of care.

This applies to documentation and communication which are produced and owned by our partners. Where these originate from AXA XL and reach the end customer unaltered, AXA XL will have a process in place to provide the required format on an ad-hoc basis.

If you receive such a request in respect of AXA XL owned documentation, please notify us promptly so that we can work with you to address the request.

4. Data protection

AXA XL, together with other members of its group, including but not limited to those listed at https://axaxl.com/insurance/our-companies and **https://axaxl.com/reinsurance/our-companies** are committed to compliance with data protection laws. Within the UK and Europe, personal data is protected by the General Data Protection Regulation ("GDPR"). The GDPR applies to those entities established in the UK or Europe and those who are targeting their goods and services at UK and EU residents. It therefore applies to AXA XL and to Coverholders who are domiciled in the UK and Europe or who are targeting their products at EU residents.

We wish to work with our Coverholders to ensure that together we guarantee a secure and compliant trading environment for the sharing and other processing of personal data.

Our Governance Process

AXA XL have developed an on-line Third Party Data Governance Questionnaire (the "Questionnaire") that we require our Coverholders to complete as part of the initial on-boarding/engagement process. We may also ask you to complete it periodically throughout our relationship with you.

You will be asked to provide us with the contact individuals in your organisation who would be best placed to

complete the Questionnaire. The Questionnaire has a series of questions concerning your data governance policies and procedures and the security measures you have in place. Once all the questions have been answered you will need to click "save and send" to submit your answers. We will then make an assessment based on these answers on your data protection risk.

If we identify any issues our data governance or security team may be able to work with you to improve your processes so that together we ensure a compliant environment for the sharing of personal data and the business transacted under your delegated authority.

Privacy/Fair Processing Notices
Under the GDPR, we need to inform individuals about our processing of their personal data. This obligation applies to both you as the Coverholder and AXA XL as the insurer.

As part of the Questionnaire you will have been asked about your public facing privacy notice which details how and for what purposes you process personal data. It is your obligation to provide this information. In certain circumstances we require you to provide the individual with our fair processing notice as well (for example where it is an AXA XL branded wording). We will provide you with our wording in those circumstances.

Further Information
If you have any questions in relation to this section, please email GDPRquestions@axaxl.com or DelegatedAuthorities@axaxl.com

5. Financial crime, licensing, and sanctions

Licensing
As part of our due diligence, we will assess your application for the class of business you're offering and the territories you operate in. If we identify any gaps in your licensing, the DUG team will work with you and AXA XL's Compliance team to address these.

Financial Crime including International Sanctions
Coverholder Financial Crime Standards
For AXA XL to manage its exposure from a Financial Crime perspective, we require Coverholders to comply with our Coverholder Financial Crime Standards ('Standards'). If we identify any gaps against these Standards, the DUG team will work with you and AXA XL's Financial Crime team to address these.

Complying with international sanctions
Specifically, AXA XL takes compliance with international sanctions very seriously. If we approve your delegated authority, our Standards require you to have in place certain processes; plus include a market standard sanction clause in all our insurance policies stating that we will not pay any claim or provide any benefit if it will expose AXA XL to sanctions or restrictions.

We will also add a clause to your delegated authority contract that, **unless you have had prior approval from Underwriters**, prevents you from entering into transactions in relation to any risk involving:

- Anyone listed on a Sanctions List relevant to the risk (such as the UK Sanctions list; the OFSI Consolidated list; the EU Consolidated list; or any Specially Designated National (SDN) under US OFAC sanctions) [which means you will need to screen your clients against these lists before binding the risk]; or
- Country(ies) identified on the AXA XL Sanctions Watchlist; or
- Military goods [if in doubt please refer to AXA XL's Financial Crime Team]

To help you comply with these requirements, we'll include the AXA XL Sanctions Watchlist within your delegated authority contract and will advise you of any changes.

6. Bordereaux

AXA XL base their bordereau reporting requirements on the latest published Lloyd's Coverholder Reporting Standards for risk, premium and claims bordereau regardless of whether the Agreement has been written on Lloyd's, Lloyd's Europe, or Company paper.

This reflects that the standards and templates have been agreed on a market wide basis by regulatory authorities, and broker and managing general agent panels, and provide us with the information required to enable us to satisfy our tax and regulatory reporting.

Templates
As part of the due renewal process, we will review your current bordereau templates for risk, premium, claims and aggregates, where applicable. We will either provide a copy of the appropriate reporting template so you can see what is required, or review your current reporting template and advise what changes or additional fields may be necessary to bring your reporting up to the required standard.

Terms
Details of the frequency and delivery mechanism for the bordereau will be included in your final delegated authority contract.

7. Tax and regulatory reporting

AXA XL is liable for tax and regulatory reporting in respect of all our delegated authorities. As part of our ongoing oversight, we will continue to ensure that you have adequate procedures and controls in place to ensure that tax and regulatory data will be reported correctly.

Where a Coverholder settles taxes on behalf of AXA XL
In certain jurisdictions it is the Coverholder's responsibility to file and pay taxes on AXA XL's behalf. Where this is the case, (for example; German Marine business, or Italian / Dutch intermediary business) you are required to report the amounts of tax paid via the bordereau reporting process – see section 9. AXA XL will ensure that tax has been settled correctly via the audit process.

Tax and risk location
If your product is sold, or covers risks, in more than one country, you need to be sure which regulations and tax rules apply. It is recommended that you utilise the Lloyd's Crystal online service which has a risk locator tool. Crystal can be accessed regardless of whether you are a Lloyd's registered Coverholder or not. The rules for regulatory and tax risk location are universal, not just applicable to Lloyds.

Click here to access Crystal via the Lloyd's website. The DUG team will provide assistance on how to access Crystal if required. Risk location may not necessarily be a straightforward concept on more complex risks – **click here for more information.**

Tax location generally follows risk location but can occasionally be different eg location of regulatory risk for moveable property in the EEA is the territory where the insured is resident/ established but the tax risk location is where the moveable property is normally situated.

Local reporting requirements
In certain countries, insurers are required to provide specific information to relevant authorities.

Examples of such information are:

- Italy – a fiscal code (like a national insurance number) is required for individuals. Businesses need to provide their IVA (VAT) number or their fiscal code.
- Germany – for German marine hull and marine liability risks, the IMO number of German vessels is required. Where tax is settled by local German brokers, the tax identification number of that broker is required.
- Spain – We are required to collect the full address for all Spanish risks subject to Fire Brigade Charges

It is your responsibility to capture required information which is to be included in the bordereau data or maintained in your internal systems to be provided on request. For more information contact Maggie.O'Donohoe@axaxl.com.

Employers' Liability Tracing Office (ELTO) Reporting
As per FCA guidelines, all the policies bound with EL coverage must be added to the Employers' Liability Database (ELD) which helps claimants, or their legal representatives access the information they need to further investigate a claim arising out of work-related illness or injury.

To facilitate the reporting of the data to ELTO, the below fields are required to be furnished by the Coverholders within 60 days from the inception of the policy and should be sent to AXA XL for upload.

1. Master Policy Number- Usually the Unique Market Reference
2. Broker Reference- Certificate reference or unique reference identifying each policy
3. Cover Start Date
4. Cover End Date
5. Complete Address & Postcode
6. Employer Reference Number- This is a unique reference number allocated to the employers by HMRC for example,123/A12345 or 123/AB45678

It is your responsibility to capture required information which is to be included in the bordereau data and send it to us for upload to ELD. For more information contact RRMIndia@axaxl.com

Pool Re

Where you are operating a binder with Pool Re UK terrorism exposures, AXA XL will provide you with the latest versions of the Pool Re Class A Underwriting Manual and the Class B Non-Damage Business Interruption (NDBI) Underwriting Manual.

These two documents provide guidance on the coverages provided and rates to be applied on risks to be reinsured under the Pool Re terrorism Scheme.

Where you are writing Pool Re exposures under your biding authority agreement this will form part of the Audit that will be conducted on your operation to ensure coverages are being identified and rates are being applied correctly.

8. Cascading risk transfer

Risk transfer, the concept where monies held by an intermediary are held on behalf of the Insurer, is already built into the standard Coverholder agreement. However, cascading risk transfer ie the ability to delegate that risk transfer authority by the Coverholder to the retail broker, is not.

At AXA XL, we understand the need for Coverholders to have the ability to pass on risk transfer to other brokers. However, this does increase the potential credit exposure to AXA XL.

Approval process

You can do this by completing the Cascading Risk Transfer application form, which can be provided to you by a member of the DUG team. As part of this process, we may also ask for more details on the brokers to whom you want to cascade risk transfer.

Contract clause

If we agree to your request, we will add a clause to your delegated authority contract setting out the terms of your authority to cascade risk transfer.

9. Wordings and certificates

As an AXA XL Coverholder, we authorise you to issue policy documents to your customers on our behalf within the terms of your delegated authority. AXA XL has a number of wordings experts who are available to advise on any policy documents to make sure these are correct and suitable for the target customers.

Policies for consumers

If you're selling insurance to consumers, SME and micro-enterprises, any policy documents must be agreed by our in-house wordings experts before the inception of your delegated authority. Any certificates or evidence of cover you issue under your delegated authority must comply with local regulatory requirements. Examples of the documents that our wordings team will need to agree include:

- policy wordings
- insurance schedules
- endorsement books
- key facts/IPIDS
- policy summaries
- proposal forms, questionnaires and statement of facts
- certificates issued in support of the policy wording, such as the Certificate of Motor Liability and Certificate of Employer's Liability Insurance

10. Handling complaints

UK complaints

AXA XL puts customers at the heart of our business, and we need to ensure they are central to our culture. As such we aim to ensure all customers are treated fairly. We will work with you to ensure complaints are dealt with in a fair and reasonable manner.

We will need to be sure you understand the Financial Conduct Authority (FCA) regulations on complaint handling, including how to identify complaints and what to do once you've received them.

To do this, we will review:

- the complaint handling page on your website - this should detail the process and mention how and when customers can take their complaint to Lloyd's, the Financial Ombudsman Service (FOS)
- policy documents, including key facts summaries and full policy wordings
- your internal complaints training material and complaints handling manual
- details of the person in your business who is responsible for complaints
- details of historic complaint volumes, including rate of complaints upheld

Based on what we find, we will agree complaint handling arrangements with you and detail them in your binding authority contract.

Informal complaints

As the customer's first point of contact, we believe that you're best placed to deal with informal complaints that can be easily resolved within three working days. AXA XL will delegate all informal complaint handling to you and/or any TPA that has been instructed to handle the claims. You just need to keep us informed by sending us a copy of the complaint and the summary resolution communication (SRC) letter when the case is closed. (Within 5 days to axaxlukcomplaints@axaxl.com.)

Formal complaints

We do not typically delegate authority for handling formal complaints. Therefore, any complaints that cannot be resolved within three working days must be referred to us, unless we've specifically agreed to let you handle it. We will then liaise with you and/or the claims TPA to get the information needed, conduct our review and discuss the outcome. We will share a copy of any response we send to the customer.

Reporting requirements

You will need to provide a weekly report of all the complaints you've received, including those you've referred on to us. You will need to do this even if you've had no complaints, so that we have a record for each week.
You will need to keep up to date with FCA complaints guidelines and implement any changes. Our complaints team will usually communicate any changes to you directly and work with you to implement them.

AXA XL has a dedicated complaints team who will work with you on any complaint related enquiries; whether this be on complaint cases, or advice on issues which might lead to a complaint.

For more information, please contact axaxlukcomplaints@axaxl.com.

All threats of escalation to media etc should be referred to axaxlukcomplaints@axaxl.com

International complaints
Whether you are based in the UK, writing business cross-border, or are based outside of the UK, our philosophy on complaint handling remains consistent. However, in order to provide our mutual customers with the best possible service and outcomes we approach overseas complaints slightly differently.

We will need to be sure you understand and comply with the local regulations on complaint handling, including how to identify complaints and what to do once you've received them. We will review the complaints procedure, your website, policy documents and staff training materials to make sure the required standards are met.

If you hold a claims authority, it is likely that you will also be granted complaint handling authority (this would be to the same limits and would be detailed within the binding authority contract). This is because you are best placed to receive complaints, and deal with customers locally; in the local time zone, using the relevant language and to local expectations.

You will need to comply with the local rules and regulations in each territory and follow the relevant Lloyd's complaints scheme. Your complaints procedure should detail the process and mention how and when customers can take their complaint to Lloyd's, or the relevant ombudsman or alternative dispute resolution (ADR) service.

You will need to send a weekly report of all complaints you have received.

Please note, for business placed via the LIC platform in Brussels, full complaints handling authority will be granted automatically as part of the Lloyd's Coverholder approval process. However, this will be subject to review by AXA XL Complaints Team.

Where you have not been granted full complaints handling authority, we may look to delegate complaint handling authority to any appointed claims TPA or handle them at AXA XL. We may require your assistance in translation of incoming complaints, and responses that we need to issue.

Complaints should be notified when received, so that we can adhere to our own reporting requirements. A weekly report will also be required for reconciliation purposes.

AXA XL has a dedicated complaints team who will work with you on any complaint related enquiries; whether this be on complaint cases, or advice on issues which might lead to a complaint.

For more information, please contact axaxlukcomplaints@axaxl.com

11. Contract review

Your binding authority contract will be reviewed prior to renewal.

What's included in the review?
The review will make sure that:

- both parties have the required permission and licenses for the proposed business
- the contract includes the required AXA XL standard clauses and addresses local regulatory requirements and clauses

What happens after the review?
If any issues are identified or changes are required to the contract, our underwriters will communicate and agree these with you. Once everything has been agreed and finalised, we will ask you to agree to the terms and conditions of the contract by signing and dating the Acknowledgement of Terms section.

No contract can incept until the completed Acknowledgement has been returned to the underwriter.

For more information on the contract review process, contact BinderReviews@ axaxl.com

12. Brand guidelines

Using the AXA brand

As an AXA XL Coverholder, you are permitted to use the AXA logo in accordance with the 'AXA XL third party logo use guide' and when the 'AXA third party partner trademark use application' and legal text have been signed, sent back to AXA XL, and approved. These will have been sent to you.

Use of the AXA brand is subject to approval from AXA Group. Please send the signed third party partner AXA trademark use application and any visuals detailing how you propose to use the AXA logo to UKI-comms-marketing@axaxl.com, and we will submit them to AXA Group for approval. This may include (but is not limited to) brochures, policy documentation and we will contact you confirming your proposal has been signed off, or detailing further work required before approval can be given.

Using the Lloyd's brand

If you've been approved as a Lloyd's Coverholder, you can also use the Lloyd's brand. You will need to follow the Lloyd's usage guidelines, which you can find on their website or by clicking here.

AXA XL Coverholder - Oversight

13. The audit process and contract certainty

As part of our ongoing management of our delegated authority contract, we carry out regular audits using approved third-party auditors.

When can I expect to be audited?

We audit all new Coverholders within a year from the start of their delegated authority contract. After that, we may audit annually or every two years, depending on the level of risk involved in the contract.
Reasons why we might decide to audit annually include:

- our conduct risk assessment has found a higher than average risk associated with your product or territory
- we think the risk of a sanctions breach is higher than average
- the previous audit identified a number of high-risk recommendations

What's included in the audit?

Our first audit will look at your whole business. Subsequent audits may be more targeted, focusing on any of these categories:

- the company and its structure
- your operational controls
- reporting procedures
- compliance with laws and regulations
- information security
- underwriting testing
- accounts testing
- claims testing
- company culture

We will always try to minimise the disruption to your business caused by the auditors and their requirements during their visit and will look to coordinate with other managing agents where applicable.

Contract certainty

As part of AXA XL's minimum standards, we require you to report on whether contract certainty timeframes have been met. This information will be requested as part of the audit or annual attestation process (see Continuous Assessment section).

14. Continuous assessment / Risk-based approach

At AXA XL, we undertake a continuous assessment of our delegated authority portfolio and respective Coverholders. As part of the ongoing assessment, we take a risk-based approach (RBA) to ensure that the oversight given to each contract is proportionate and customer focused.

The RBA output governs the scope and frequency of the oversight tasks the DUG team are responsible for. AXA XL will approach you to provide annual financial details (see financial review section) and E&O and PI coverage details at expiry.

We will also need to gain an annual attestation from you that covers the following criteria:

- Changes to ownership / Company structure
- Changes to key personnel
- Changes to systems and controls
- Confirmation you have the required licenses in place to transact the business under the subject binding authority contract
- Regulatory / disciplinary action

15. Our Code of Conduct

At AXA XL, we aim to achieve the highest ethical standards wherever we do business and at all stages in the insurance life cycle. We also expect our partners and agents to practice these standards.

As an AXA XL Coverholder, we expect you to be aware of our Code of Conduct for Representatives. The Code sets out our values and the conduct we expect of ourselves and all of our partners on everything from fair dealing to preventing fraud.

You can find the Code at: AXA-XL-Code-for-Representatives-Nov-2021-final.pdf

If you have any questions about the application process, please contact the Delegated Underwriting Governance team at DUGNewApplications@axaxl.com

Appendices:

1. What Good Looks Like Document – [consumer-duty--what-good-looks-like.pdf (axaxl.com)]

2. Consumer Duty MI

Products and Services	
Metrics	**Definition**
Bind rate (%) (Non-Delegated only)	Percentage of quotes that are converted to legal binding policies
Retention rate (%)	The proportion of customers that AXA XL was able to retain over a given period
Underwriting/Sales related complaints	The number of complaints received from eligible complainants that relate to sales or underwriting matters
Peer benchmarking (FCA fair value)	Analysing key performance indicators against other organisations dealing with Consumer Duty in the industry
(Root Cause) Underwriting /Premium issues and (FCA) Disputes over sums / charges	Root cause of underwriting/premium related issues
Cancellation frequency (%)	The percentage of Consumers that cancel their policy, calculated as the total number of policies cancelled against the number of policies in force
Number of cancellations on products/services	Total number of cancellations registered of products/service
Internally handled claims	Total number of claims that were dealt with internally
Externally handled claims	Total number of claims that were dealt with externally
Average Claims pay-out (external)	Total claims pay-out cost divided by the number of claims (where all or part of the claim has been accepted and a pay-out has been made and/or benefits provided, and the claim is closed at the end of the reporting period)
Average Claims pay-out (internal)	Total claims pay-out cost divided by the number of claims (where all or part of the claim has been accepted and a pay-out has been made and/or benefits provided, and the claim is closed at the end of the reporting period)
Claims complaints as a % of total claims (%)	The number of claims complaints divided by claims registered (multiplied by 100)
Claims declinature rate (%)	Total number of claims rejected against the total number of claims received
Claims reportable complaints	The number of complaints received from eligible complainants that relate to claims matters
Total number of complaints	Total number of complaints registered
Product/services related complaints (%)	Percentage of complaints related to Products/services
Root cause analysis of complaints	Investigating complaints fully to understand the cause of Consumer complaints, not just dealing with symptoms
FOS complaint uphold rate (%)	The percentage of complaints referred to FOS that are upheld by FOS
Lloyd's complaint uphold rate (%)	The percentage of complaints referred to Lloyd's that are upheld by Lloyd's
Regulatory breaches (Complaints)	The number and details of regulatory complaint timeline breaches by the product/service
Claim rates (%)	The number of claims registered divided by the total number of policies in force
Price and Value	
Metrics	Definitions
Fees & Charges (%)	The average fees and charges charged to the Consumers. Total fees plus charges received/ total policies in force
Total Gross written premium (%)	The total amount of gross written premium, based on the premiums charged to the end consumer (excluding insurance premium tax) in relation to policies sold during the reporting period.
Average premium (£)	The average premium paid by Consumers. Total premium received/ total policies in force
Average commission (%)	The average commission received by distributor/employees
Distribution costs (£)	Costs incurred to 'acquire' the premium
Gross Loss ratio	Claims paid plus adjustment expenses divided by total earned premiums
Distributor remuneration (%)	Total remuneration received by distributors
Average claims settlement	The average claims amount paid - Indemnity + Fees
Root Cause Claim related complaints – coverage terms and conditions	Root cause analysis of claims related complaints
Pricing related complaints	Total number of complaints regarding the pricing of products/services

Consumer Understanding	
Metrics	**Definitions**
Declined claim analysis	Analysis of all the declined claims
Customer feedback sought	**Customer feedback through surveys and questionnaires (Customer journey)**
Root cause analysis of complaints (linked to understanding)	Investigating complaints fully to understand the cause of Consumer complaints, not just dealing with symptoms
Non-insurance specialist documentation panel	Panel review customer targeted documents
Consumer Support	
Metrics	**Definitions**
Root Cause Claim – Customer service	The claims process is simple with no barriers to making a claim
Average complaints settlement time	Average time taken to resolve a customer's complaint
First contact resolution rate (%) – Claims/Complaints	The percentage of customer's questions and requests solved at the first contact
Customer Satisfaction rates – for formal complaints Authority only (AXA XL handled)	The number of products/services meeting or surpassing Consumer's expectations
Root Cause Claim – Customer Service and Customer Service – non claims related	Communications are responded to within an acceptable time frame
Complaints Handling Performance	Metrics regarding the complaints handling
Vulnerable customers	**Vulnerable customers are identified and reported (Customer journey)**
DEX messaging sampling re-referral rights/Compliance Monitoring	Complaints was dealt with in line with regulatory requirements – (Lloyd's review via DEX and AXA XL compliance monitoring team)

3. Customer Communication Testing Checklist

Category	#	Individual checks	Comments
Design, structure and formatting	1	Key information / conditions not included in the small print	
	2	Monetary / numerical values presented simply and grouped together logically	
	3	Layering used effectively (highlighting key information upfront with links to further detail below where applicable)	
	4	Key information (benefits / limitations / exclusions) is consistent if stated in multiple locations	
	5	Avoid red/green to be friendly to colour vision deficiencies	
	6	Avoid excessively long bullet point lists (too many points in a list reduces simplicity) and density of bullet points is not excessive	
	7	Consistent use of bolded texts and colour coding	
	8	Where a pack of documents is sent to customers, use of a covering letter/email which reference and signpost each document	
	9	No instances of unclear, irrelevant, or unspecific questions that are asked to the customer	
Information and Content	10	Avoid overly complex language when appropriate and limit frequency of acronyms and abbreviations	
	11	Avoid use of technical language. Where unavoidable, essential advanced terminology should be included in a glossary / the footer. Examples include 'ancillary', 'liability', or 'statutory'.	
	12	Ensure document does not include excessively long paragraphs (by words)	

	13	Ensure all form fields have visible and meaningful labels - and that they are marked up properly	
	14	Avoid use of double negatives such as "no fewer than" and "may not…until"	
Customer Lens	15	Documents / information issued through all mediums tailored appropriately (online, written, email etc.)	
	16	Use of weblinks to give user more detail (mobile / e-mail comms only)	
	17	Ensure communication / document sufficiently addresses consumer's queries / information needs	
	18	Inclusion of offer to clarify, discuss questions via phone or chat	
	19	Information is provided at the right time to ensure sufficient time to digest and understand all the relevant facts prior to making an informed decision / action	
	20	Ensure documents include all fees, administrative charges and taxes payable by the customer through the insurance firm, and ensure clear disclosure of potential fees / charges	
	21	Avoid product summaries with more than two pages	
Customer journey specific considerations	22	Ensure clear instructions on how to make a claim, and when referencing claims process, avoid instances of subjective words such as "reasonable" for claims costs for a consumer policy	
	23	Claim acknowledgement letter should clearly convey the appointment and role of the Delegated Claims Administrator (DCA) on the behalf of the named AXA XL legal entity, outline the claim journey/next steps and any relevant timelines, plus the contact details and claim reference for the DCA	
	24	Ensure inclusion of right to cancel section (incl. duration, conditions for exercising it, amount consumer may be required to pay if they exercise it, the consequence of not exercising it, and the practical instructions for exercising it)	
	25	Ensure documents contain emphasis to read any attached or enclosed documentation before the end of the cooling-off period to check that the policy is suitable for the consumer	
	26	Ensure information about changes to terms and conditions, benefits, exclusions or tariffs are clearly highlighted	
	27	Where a Policy Summary is issued, ensure the following is included: - Key facts logo in a prominent position at the top of the policy summary - Statement that the policy summary does not contain the full terms of the policy, which can be found in the policy document - Name of the insurance undertaking - Type of insurance and cover - Significant features and benefits - Significant or unusual exclusions or limitations, and cross-references to the relevant policy document provisions - Duration of the policy - A statement, where relevant, that the consumer may need to review and update the cover periodically to ensure it remains adequate. - Existence and duration of the right of cancellation - Contact details for notifying a claim - How to complain to the firm and that complaints may subsequently be referred to the Financial Ombudsman Service - That, should the firm be unable to meet its liabilities, the consumer may be entitled to compensation from the compensation scheme (or other applicable compensation scheme), or that there is no compensation scheme.	
	28	Ensure "what is covered" and "what is not covered" sections are grouped together, preferably in tabular form	
	29	Ensure a suitable Data Protection 'Notice' (aka 'Fair Processing Notice') is included where applicable	*This won't always be applicable, but the intention is to retain this point for instances where it is*
	30	Ensure information on any demands and needs that are not met are clearly stated	
	31	In respect to policies over one year that are reviewable, policy documents should include the period for which the quoted premium is valid, and the timings of the reviews	
	32	In respect to group policy, ensure clear instruction to pass/share the relevant policy information to policyholder(s) as appropriate	
	33	Complaints referrals to the Financial Ombudsman Service are clearly stated, and the presence of FOS complaints channels (including by phone, email, post and website) included	



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