

# MARKET BULLETIN

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<b>Title</b>	Claims Transformation Programme: Revised 2010 Claims Scheme Process Guidelines
<b>Purpose</b>	To communicate the revised 2010 Claims Scheme Process Guidelines
<b>Type</b>	Event
<b>From</b>	Tom Bolt, Performance Management Director Performance Management Directorate
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<b>Related links</b>	<a href="http://www.lloyds.com/claimsscheme">www.lloyds.com/claimsscheme</a>

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On 30 March 2012 Lloyd's published [Market Bulletin Y4578](#), which advised that from 1 July 2012 the scope of the 2010 Claims Scheme will be expanded to include all remaining 45 active risk codes, thereby introducing the Accident & Health, Aviation, Casualty, Political Risk and Motor classes. The bulletin contained a revised Schedule 5 to the Lloyd's Claims Scheme (Combined), which lists the additional risk codes that from 1 July 2012 will be in-scope for the 2010 Claims Scheme.

The purpose of this bulletin is to communicate the updated 2010 Claims Scheme Process Guidelines, which have been revised in response to questions raised by the market and in preparation for the 1 July 2012 expansion of scope.

The Lloyd's Claims Scheme (Combined) and all related material, including the updated 2010 Claims Scheme Process Guidelines, can be found at [www.lloyds.com/claimsscheme](http://www.lloyds.com/claimsscheme).

## Queries

If you have any questions regarding the above or comments on the guidelines, including matters that might be addressed in market training, please contact the project team at: [CTP@lloyds.com](mailto:CTP@lloyds.com) or 020 7327 5900.

# **CTP: 2010 CLAIMS SCHEME PROCESS GUIDELINES**

**VERSION 4**

**20 JUNE 2012**

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# DOCUMENT PURPOSE

This document has been produced in conjunction with the managing agents working group to support compliance with the Lloyd's 2010 Claims Scheme (the "2010 Claims Scheme"), as contained within the Lloyd's Claims Scheme (Combined). It sets out the process by which the underwriters will operate the 2010 Claims Scheme. This document is supplemental to, but does not form part of, the Lloyd's Claims Scheme (Combined).

These Guidelines are not intended to be prescriptive recognising that, subject to compliance with the 2010 Claims Scheme:

- Managing agents will need to exercise their judgment in each instance to respond to claims and communicate with other Lloyd's syndicates appropriately.
- There may be circumstances where a managing agent will require further assistance in implementing the 2010 Claims Scheme or these Guidelines. Assistance may be obtained from the Lloyd's Claims Project Team at either [CTP@lloyds.com](mailto:CTP@lloyds.com) or 0207 327 5900.

Further details regarding all aspects of the 2010 Claims Scheme and the Lloyd's Claims Scheme (Combined) can be found on Lloyd's website at [www.lloyds.com/claimsscheme](http://www.lloyds.com/claimsscheme).

## 1.0 BACKGROUND

- The Claims Business Requirements Review of 2008/9 continued consideration and development of claims management in the Lloyd's market. The review was carried out by a steering committee of senior executives from Lloyd's Corporation, the LMA and 10 managing agents of varying sizes. Market views were solicited through consultation, and recommendations of the steering committee were reviewed with and approved by the Franchise and LMA Boards.
- The recommendations included testing by pilot the claims agreement framework incorporated into the 2010 Pilot Scheme. The pilot ("2010 Pilot") was conducted over a period of 14 months for specific risk codes in the marine and property (D&F) classes and a limited number within the casualty treaty class. Throughout this period Lloyd's monitored the progress of these pilot claims against the formal success criteria as established by the Claims Implementation Board (the "CIB") and approved by the Franchise Board.
- Following the meeting or surpassing of the success criteria, it was recommended by the CIB, and subsequently approved by the Franchise Board, that the scope of the 2010 Pilot Scheme would be expanded with effect 1 July 2011 into the remaining risk codes of property and marine (including cargo) and all energy. This expansion ("Phase 1") further introduced claims arising from contracts of insurance written under Binding Authorities.
- The Lloyd's Claims Scheme was revised with effect from 1 January 2012 with the issuance of the Lloyd's Claims Scheme (Combined). This incorporated the 2006 Claims Scheme and the renamed 2010 Claims Scheme and implemented certain revisions to the CTP agreement practices, an overview of which are further detailed in this document.
- It was further agreed that the phased implementation would be completed through the inclusion of Professional Indemnity class from 1 January 2012 and all remaining classes of business from 1 July 2012. All active risk codes will be in scope of the 2010 Claims Scheme from 1 July 2012. The inception date for each risk code after which policies are subject to the 2010 Claims Scheme is listed in Schedule 5 of the Lloyd's Claims Scheme (Combined),

per Lloyd's Market Bulletin Y4578 issued on 30 March 2012. Schedule 5 also provides the description of each risk code. For full details please use the link to [Market Bulletin Y4578](#).

## 2.0 THE LLOYD'S CLAIMS SCHEME (COMBINED)

- The Lloyd's Claims Schemes (both the 2010 Claims Scheme and prior schemes) are intended to provide a framework by which Lloyd's subscription claims can be determined to ensure a consistent approach that delivers the best service to the customer in terms of fairness and speed. The schemes also ensure adequate protection is afforded to all Lloyd's syndicates on the risk in the way that claim is determined. Over time a number have been implemented and Lloyd's has made changes to them to ensure that they reflect the changing needs of the market and evolving best practice.
- As such, at the end of 2011 the arrangement of the Lloyd's 2006 Claims Scheme (as amended) was revised to reflect the fact that the 2010 Pilot Scheme (previously contained as an annex to the 2006 Claims Scheme) is no longer a pilot. It was replaced by the Lloyd's Claims Scheme (Combined), which was issued in September 2011 and came into force from 1 January 2012. The Lloyd's Claims Scheme (Combined) now consists of an introductory section which sets out the scope of the 2006 and 2010 Claims Schemes. Part I of the Scheme sets out the 2006 Claims Scheme. Part II sets out the 2010 Claims Scheme. These sections are followed by five schedules.

### Part I: 2006 Claims Scheme

- The scope of the 2006 Claims Scheme is unchanged. Following feedback from the market, paragraphs 8, 9 and 13 were amended with effect from 1 January 2012 to enhance the rights of the following syndicates to receive information relating to dispute resolution proceedings where the syndicates are parties. These changes mirror similar changes that have been made to the 2010 Claims Scheme. The 2006 Claims Scheme otherwise has not been changed other than to reflect changes to the defined terms used. For example in this section, "*scheme claims*" are now referred to as "*2006 scheme claims*".

### Part II: 2010 Claims Scheme

- The 2010 Claims Scheme and its operation is the subject of this document. In implementing the Lloyd's Claim Scheme (Combined) Lloyd's made a number of changes to the 2010 Claims Scheme from the 2010 Pilot Scheme and the main changes are summarised below. No further changes have been made to the 2010 Claims Scheme since its issuance in September 2011, aside from the scope expansion contained within Schedule 5. The following are the main changes made from the 2010 Pilot Scheme:
- The three triage categories that were previously in operation during the 2010 Pilot Scheme have been reduced to two categories: Standard and Complex.
- The financial thresholds to be considered when assigning claims to the triage categories vary depending on the relevant class of business, as determined in consultation with the market. The financial thresholds to be applied are shown in column D of the table in Schedule 5. They can be summarised as follows:
  - Energy and Property Treaty risk codes have a threshold of £500,000 (Lloyd's share per slip).
  - All other risk codes have a threshold of £250,000 (Lloyd's share per slip).

## 3.0 SCOPE OF THE 2010 CLAIMS SCHEME

As communicated via Market Bulletin Y4578 on 30 March 2012, all claims (including binder claims) transacted via ECF arising from subscription risks with risk code(s) listed in Schedule 5 of the Lloyd's Claims Scheme (Combined) are within the scope of CTP, provided that:

- the inception date of any open market policy is on or after the date specified in column E of Schedule 5; or where applicable,
- the inception date of any binding authority is on or after the date specified in column F of Schedule 5

It should be noted that Co-Lead Binders are out of scope of the 2010 Claims Scheme until such time as they are made fully electronic, notwithstanding the possible expansion of the part-paper workaround solution introduced by the ECF Co-Lead pilot.

### Consortia, Package Policies, Full Follow and Delegation

- With regard to Consortia risks, if a policy is written by a *single* Consortium, and there is no other Lloyd's participation outside of the Consortium, it is considered a Singleton and therefore claims notified against these policies will be out of scope of CTP, subject to any contrary provisions in the Consortium. If written by more than one Consortium and/or there is additional Lloyd's participation it is considered a subscription risk and claims would therefore be in scope provided all other necessary scope criteria are fulfilled.
- Where a contract contains several sections (e.g. 'package policies') and one or more sections relate to a 2010 Claims Scheme risk code(s), the 2010 Claims Scheme will apply only to the sections that fall within the 2010 Claims Scheme risk code(s).
- Contracts written on a "full follow" basis are within the scope of the 2010 Claims Scheme for the Lloyd's market and therefore subject to the 2010 Claims Scheme rules. It is the responsibility of the Lead to assign the claim to the appropriate triage category, where necessary liaising with the Second and capturing any agreement within ECF if it is decided to re-assign the claim to a different triage category other than that determined by the financial value alone.
- At present, managing agents who are Second may only delegate their 2010 scheme claims to XCS unless lead claims handling services have already been delegated to another third party in which case that third party may also carry out the Second role for that managing agent. All managing agents will be advised of those managing agents who elect to outsource to XCS.

## 4.0 CLAIM HANDLING PROCEDURES

- All participants should be familiar with the Lloyd's ECF Systems, Processes and Procedures ("SP&P") and continue to act in accordance with these provisions. As before, each claim should be determined based on its merits and on all the circumstances presented, as well as in light of the Lloyd's Claims Management Principles and Minimum Standards that apply. Within these overarching considerations, managing agents should endeavour to apply the following process guidelines.

## 4.1 Process Maps

The process of determining 2010 scheme claims is represented in the process maps at Appendix 1.

## 4.2 Identifying and categorising a 2010 scheme claim

### All claims

- On receipt of notification of a claim that is identified in the ECF 'Claims Scheme' field as a 2010 scheme claim the Managing Agent identified by the broker as Lead confirms that it has been correctly identified.
- Where the ECF 'Claims Scheme' field displays '2010', the Lead should ensure that:
  - the claim is not a singleton;
  - the claim is in scope for ECF;
  - if attaching to an open market policy, that the policy incept on or after the date shown in column E of Schedule 5 for that risk code, or;
  - if attaching to a binding authority, that the binding authority incept on or after the date shown in column F of Schedule 5 for that risk code.

If any of the above criteria are not satisfied the Lead de-selects "2010" in the Claims Scheme field on ECF and selects "2006 and prior".

Please note that, for a first advice, if the 'Claims Scheme Indicator' has defaulted to '2006 & prior' then the claim will definitely not be within the scope for the 2010 Claims Scheme. No further checks are necessary.

- In the event the Lead identifies any conflict of interest, that Managing Agent advises the broker and followers, via ECF, in accordance with SP&P, and a new Lead is designated.

### Claim Categories

- On receipt of notification, the Lead considers the information then in hand and makes an initial assignment to one of the 2010 Claims Scheme categories and makes the related entry in the Triage Category field on ECF. Please note that the Lloyd's Claims Scheme (Combined) has, from 1 January 2012, reduced the Triage Categories to two – Standard and Complex – where previously there were three.

### Financial Considerations

- For open market claims, the Lead's assignment is guided by the amount potentially claimed<sup>1</sup> in the notification (or in the first advice indicating an amount to be potentially claimed), as stated in paragraph 2(d) in the 2010 Claims Scheme.
- The assignment value threshold between the Standard and Complex categories is now set at a class of business level, to allow for variations in the value of the average claim between classes of business. The thresholds are detailed at risk code level within column D of Schedule 5 of the Lloyd's Claims Scheme (Combined). However, the value bands by class of business are as follows:

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<sup>1</sup> includes notices of circumstances

<b>Class of Business</b>	<b>Financial Threshold (Lloyd's share)</b>
Property Treaty	£500,000
Energy	£500,000
All other classes	£250,000

- When considering the financial value of a non-GBP claim the prevailing rate of exchange at the time at which the assessment takes place should be used.
- There may be situations where the GBP value of the claim may be just over or just under the threshold depending on the precise rate of exchange applied. In these situations the Lead should use their discretion, selecting an appropriate rate of exchange and triaging the claim based on the non-financial considerations (examples of which are given below) as well as the precise value.

### ***Non-Financial Considerations***

- In addition to the financial value of the claim the Lead should, for every presentation of every 2010 scheme claim, also consider other factors that may apply to the category assigned.
- **If there are pending dispute resolution proceedings between the (re)insured and the syndicates in relation to the claim, the 2010 Claims Scheme requires the Lead to designate the matter as a Complex claim.**
- In addition the Lead may consider a range of other non-financial factors relevant to their class of business in assigning a claim category, including without limitation:
  - claims seeking extra contractual damages (including punitive damages) or claims seeking damages in excess of policy limits against the (re) insured or the (re) insurer;
  - criminal proceedings against the (re)insured;
  - claims where fraud or financial crime is alleged or otherwise at issue;
  - potential or actual denial of coverage;
  - notice or complaint from a regulatory body claiming improper handling of claim;
  - allegations of bad faith and /or potential breach of regulation, including SEC / regulatory investigations;
  - potential issues around the establishment of quantum;
  - multiple, complex, class action or high value lawsuits against (re)insured;
  - serious injury<sup>2</sup> and fatalities implicated by the claim;

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<sup>2</sup> (a) Brain damage resulting in physical or intellectual impairment; coma  
(b) Loss of sight or hearing, loss of limb or permanent disability or disfigurement.  
(c) Paralysis and/or spinal cord damage, paraplegia, quadriplegia.  
(d) Second or third degree burns covering 50% or more of body.  
(e) Life-threatening internal injuries.



- periodic payment orders /settlements;
  - consideration of a client reported ultimate net loss;
  - consideration of clash cover position;
  - advanced and/or projected settlements.
- The Lead may wish to confer with the Second in evaluating these factors and making the assignment, and if any uncertainty remains, the claim is assigned to the Complex category.
  - For claims arising from Binding Authorities:
    - Bordereaux which only contain claims which are within the TPA / Coverholder's delegated claims handling authority, as agreed in the Binding Authority, should be assigned Standard (even if the potential value of the claim exceeds the financial threshold applicable to the relevant risk code, or the claim is to be denied where authority to handle denials is granted to the TPA / Coverholder within the binding authority).
    - All bordereaux which hold the financial detail of any above authority individual item(s) should also be assigned Standard, unless the Lead believes that there are any specific issues which they feel require the involvement of the Second. It is worth reiterating that the Lead may wish to confer with the Second in categorising either the bordereau entry and/or the individual entry, having regard to the non-financial factors described above.
    - Individual claims which exceed the TPA / Coverholder's delegated claims handling authority will have separate claim entries on ECF in addition to the line item within the bordereau. These individual above authority items should be assigned according to the financial threshold for the risk code applicable to the binder claim (in column F of Schedule 5), and with due consideration of the non-financial factors (and as further explained above).

#### **Fee-Only Entries**

- ECF claims created for the payment of professional fees on a separate underlying claim (known as "Parallel UCRs" – please refer to the Lloyd's SP&P document for further details) which is in scope of the 2010 Claims Scheme should be triaged according to the category of the claim to which they relate. However, in line with the process for re-categorising a Complex claim to a Standard claim, the Lead and Second can jointly re-assign a Complex fee-only entry to the Standard category on a claim by claim basis. Please refer to Section 4.4 "Ongoing management of the Claim" for full details of re-assigning a Complex claim.

### **4.3 Handling the claim**

#### **Lead**

- The Lead ensures that the broker has:
  - loaded and identified on ECF the documents and information listed in the SP&P and identified in Appendix 2 (Section 7.1);
  - identified the Lead and Second Claims Agreement Parties on the (relevant section of the) slip which is loaded onto the IMR;

- identified as necessary any related policies in the London market not shown on the slip.
- When determining the claim the Lead is mindful that they are performing the adjustment *on behalf of all following syndicates on risk*, not just for their own share.
- The Lead endeavours throughout the life of the claim to identify the steps to be taken to resolve the claim, including where possible who will take these steps and the currently projected time frame. This should be made available to the following market via ECF.
- Before agreeing any transaction, from notification to closing the claim, the Lead ensures that sufficient information is available on ECF to enable XCS to accurately complete the fields identified in Appendix 2 (Section 7.3). For the sake of completeness, Appendix 2 (Section 7.4) also indicates the remaining fields which XCS technical processing team will complete. The Lead should also clearly state within ECF the narrative to be issued to all syndicates on risk via the Syndicate Claims Message (SCM). See also section 4.5 below in relation to the use by the lead of the lead reserve fields on ECF.
- Where appropriate, the Lead calls the broker or raises a query via ECF, in accordance with the ECF best practice of raising queries. For ECF2 users, the Lead is required by the system to select the appropriate 'Query Reason' when entering a formal query response.
- If information that is incomplete or needs correction can be obtained or corrected later and is not necessary to the current transaction, the Lead agrees the ECF transaction and contacts the broker, by ECF or otherwise, to request that information. The Lead records that contact and the date it is made on ECF for further reference and review, if needed, by followers.
- The Lead enters on ECF the contact details for the person who is handling the claim.
- The Lead also takes reasonable steps to ensure that XCS has issued the SCM containing an appropriate narrative for the new 2010 scheme claim. It is recommended that this is performed via the use of the ECF004 "Incomplete Items" report available through Xchanging – for further information on receiving this report please contact the Xchanging Service Centre ([service.centre@xchanging.com](mailto:service.centre@xchanging.com)). Alternatively, if using ECF2, the Lead may perform this check via the workflow functionality.
- Depending on the circumstances, the Lead may elect to communicate additional information to all following Lloyd's syndicates through other channels.
- The Lead responds appropriately to requests from followers for information about the claim and steps to resolution.
- The Lead should conduct such financial crime checks (including Anti-Money Laundering / anti-corruption / sanctions checks) as are required by its internal policies, and, where it has been notified by followers that they wish to perform further checks on claims, should liaise with those followers (via the broker, if required) to provide them with such information as they require to perform those checks in sufficient time before the claim is agreed/paid (and should refrain from agreeing claims on behalf of those followers until they have indicated to the Lead that they are in a position for the Lead to do so).

### **Complex claims**

- Where the Lead has decided to assign a notified 2010 scheme claim to Complex the Lead, prior to agreeing the transaction, selects as an agreement party on ECF the managing agent who is named in the (relevant section of the) slip as Second. Please note that an error message will be displayed on ECF if the Lead attempts to respond to a Complex 2010 scheme claim without first having selected the Second.

- From February 2012 it is now a requirement for the Second Lead to be identified in the Claims Agreement Parties section of the Market Reform Contract (“MRC”) slip. Where the identity of the Second is not clear from the slip, the placing broker and underwriters should be consulted to identify the Second Lead syndicate.

## Second

- The following process guidelines assist managing agents who are nominated as Second underwriter on slips or sections of slips that are subject to the 2010 Claims Scheme and who, jointly with the Lead, manage and agree Complex claims:
  - The daily csv file, used by ECF1 users to identify newly added ECF transactions, generally does not advise the Second that it is a claims agreement party at the time the Second is first identified as such by the Lead. Managing agents should identify claims which require their action as Second by searching the ECF Claims Awaiting Action screen manually, ensuring that the ‘Second Lead’ option is selected from the ‘Role’ search filter. Managing agents who are potential Seconds are asked to carry out these searches regularly. Please note that the workflow functionality within ECF2 means that the above requirement is not necessary for ECF2 users.
  - Once advised, the Second checks to ensure that it has been correctly identified as the Second underwriter and whether it has any current conflict that would compromise its ability to act in the interests of all following underwriters.
  - The confirmed Second then reviews and independently assesses the claim and its associated documentation before reviewing the Lead’s initial assignment to the claim category.
  - If necessary, the Second confers with the Lead to discuss any issues that exist, including requests for information, planned next steps on the claim, and / or instructions to experts (see below).
  - The Second lists on ECF the contact details for the person at the Second who is handling the claim.
  - Generally, the Lead and Second agree or reach agreement following consultation. To illustrate, if the Lead has entered an ECF response of ‘Query/Return’, (which will result in the claim appearing the Second’s ‘Claims Awaiting Action’ list as a queried transaction) the Second consults with the Lead and the Lead’s ‘Query/Return’ response is altered by the Lead or both submit a ‘Query/Return’ response. The Lead and Second endeavour to reach agreement on all matters before reverting to the broker with a single Lloyd’s response. In exceptional circumstances, the Lead and Second may consider it necessary to invoke the disagreements resolution mechanism described in Section 5 below.
  - Appropriate documentation of issues is made available to followers via ECF. The Second responds appropriately to requests from followers for information about the claim and steps to resolution.

## Followers

- Followers receive notification of a claim via the ECF2 workflow functionality or the ECF1 daily csv file, the SCMs or the new reports available from the ECF2 ‘Claims Data Warehouse’ (which all contain the Triage Category field from ECF). All followers have access to the ECF file to review.
- Followers review the ECF reports and the SCMs and identify claims where they require further information from ECF or the Lead or Second.
- Followers may wish to contact the Lead (or Second) to raise a query or share their views on the steps to resolve the claim.

- Followers should assess what financial crime checks (including Anti-Money Laundering / anti-corruption / sanctions checks) have been performed in relation to the claim by the Lead and notify the Lead if they wish to perform further checks (via the broker, if required) providing the Lead with a full explanation of the information they wish to see in order to perform those checks.

## **XCS**

- Once claims agreement parties action the claim notification on ECF, the XCS processing team processes the claim in accordance with its contract and service standards.

### **4.4 Ongoing management of the Claim**

#### **Lead**

##### **Proactive Management**

- For every presentation of the claim the Lead considers and, if necessary, adjusts the triage category to which the claim is assigned.
- Each step taken by the Lead is on behalf of itself and all followers.
- The Lead endeavours throughout the life of the claim to identify the steps to be taken to resolve the claim, including where possible who will take these steps and the currently projected time frame.
- The Lead manages progress and takes such additional steps as are necessary to address complications encountered and progress towards resolution.

##### **Communication**

- The Lead makes available to followers (via ECF or otherwise) the management plan and where known information about:
  - any investigation that is to be carried out to assess the existence and quantum of any potential liability under the policy;
  - the positions being advanced by the insured or its broker and the Lead's responses on behalf of the followers;
  - the possibility of any recovery opportunities and the current plan for assessing and pursuing them;
  - financial crime law/regulation (including Anti-Money Laundering / anti-corruption / sanctions) applicable to the claim under consideration (to the extent permissible in accordance with such law/regulation) and how it plans to address such law/regulation.
- The Lead communicates to followers, via the 'Public' or 'Private' comments on ECF or otherwise, developments in the claim and, where appropriate, requires the broker to create a transaction on ECF and responds to that ECF transaction to generate an appropriate SCM.
- The Lead communicates its response to the claim to the broker via 'Public' comments on ECF.
- The Lead provides a response to reasonable requests received from followers for additional information concerning the claim.

### **Complex claims:**

- The Lead and Second each act on behalf of themselves and all followers on Complex claims and may not take action affecting the followers' rights without first conferring and agreeing on that action. Generally, the Lead takes the initiative and obtains the concurrence of the Second.
- While the claim is open and remains a Complex claim, the Lead continues to co-ordinate with the Second and to ensure joint access to claim information as it becomes available.
- In the first instance, the Lead co-ordinates communications with respect to the claim and responds to reasonable queries from followers. The Lead also co-ordinates market meetings and ensures that market agreements are reflected on ECF.
- The Lead and Second can **jointly** re-assign a Complex claim to the Standard category at any time, on a claim by claim basis and having regard to the individual circumstances of the claim and the non-financial factors described in section 4.2 above. Usually, this would be evidenced via comments from the Lead *and* Second within ECF. From the point where it is agreed by both the Lead and Second that a claim should be re-assigned to the Standard category, the liability of the Second shall cease.
- If possible, the Lead and Second should consider assigning a Complex claim to Standard once they have agreed to settle the claim for a specified quantum and prior to the settlement transaction being entered by the broker. The purpose of this is to ensure that the settlement transaction is processed as quickly as possible.

### **Second**

- The Second works with the Lead on open Complex claims and helps ensure that appropriate plans are in place to address the claim, including steps being taken to facilitate progression towards resolution within projected time frames. The Second also ensures that communication to followers is appropriate. If a matter needs to be discussed before agreement, the Second contacts the Lead.
- The Second makes its comments, on Lead determinations and other involvements, in a timely fashion on ECF or, as appropriate, through other procedures such as market meetings.

### **XCS**

As with notification, once the agreement parties have identified and approved the action to be taken, the XCS Technical Processing Team processes the claim in accordance with its contract and service standards.

## **4.5 Contingent Financial Planning (Reserves, Costs etc.)**

### **Lead**

- The Lead authorises actions necessary to obtain information that bears on financial contingencies, including indemnity reserves, expert costs, and other matters of potential interest to regulators, auditors and capital providers.

- When appropriate, the Lead identifies on ECF suggested reserves or adjustments that XCS should enter on CLASS. This process involves indicating any loss and fee reserves to be entered (as described below) together with a description of this decision and reference to any related documentation which the Lead has loaded onto the IMR.
  - The Lead should complete the 'Lead Reserve' fields on ECF unless it agrees with the broker's recommended indemnity reserve and there are no fee or expense elements, **(if the lead reserve fields are not completed XCS will enter the whole of the broker reserve into the Indemnity reserve field on CLASS)**.
  - If the broker's reserve does contain fee and/or expense elements, the Lead should specify how the total reserve should be split by completing the 'Lead Reserve Indemnity' and 'Lead Reserve Fees' fields as appropriate.
  - Where the Lead wishes to carry a reserve that is different from that advised by the broker, they should use the 'Lead Reserve Indemnity' and 'Lead Reserve Fee' fields within ECF as appropriate.
  - If the lead wishes to carry a fee reserve, the relevant quantum should be entered in the 'Lead Reserve Fees' field and instructions should be given to XCS in the Private Comments as to whether this sum should be entered in the 'fees' or 'expenses' fields (or both) on CLASS. NB. Amounts to be entered in the 'expense' field are those which relate to the fees of lawyers who are defending a claim against the insured.
  - If the Lead wishes to carry a nil indemnity reserve instead of the broker advised reserve, they should enter '1' into the 'Lead Reserve Indemnity' field, and in the Private Comments field state the 'Outstanding Qualifier Code' to be entered by XCS (see Appendix 2, Section 7.2 for a full list of available 'Outstanding Qualifier Codes' and their descriptions).
  - NB. Any value entered into these 'Lead Reserve' fields is automatically carried forward to the next transaction. Leads should therefore check these fields carefully on each subsequent transaction.
- The Lead's review and action also includes the following steps:
  - instructions to XCS in the comments field to enter the correct TBA / Outstanding Qualifier as appropriate;
  - updating a reserve following any payment, including expert fees;
  - confirming that a correct SCM is issued for that transaction.
- The Lead responds to reasonable queries from followers on ECF or otherwise.

## Second

- The Second works with the Lead and assists in ensuring that the above processes are implemented and any necessary corrections are made.
- The Second also reviews the considerations and documentation underlying the Lead's proposed action and recommended reserve. If there are questions or other matters to discuss, the Second contacts the Lead (who has the ability to amend their recommended reserves and add further comments). If the Second concurs with the proposed action and reserve, the Second communicates its agreement on ECF.
- In the event that the Lead and Second do not reach agreement on the recommended reserve after conferring, the followers will be informed and where appropriate a suitable SCM message is issued. If the Lead and Second decide to hold a market meeting to discuss the matter, the Lead will arrange it.

## XCS

- XCS is responsible for processing via CLASS the reserves recommended by the Lead on ECF and for issuing SCMs in accordance with its contract and service standards.

## 4.6 Experts

### Lead

- The Lead assesses the need for third-party experts, the timing of their involvement, and the scope of instructions. The instructions to experts:
  - identify who is giving the instructions and on whose behalf (i.e. the Lead, and Second if applicable, on behalf of all syndicates on the risk);
  - state any requirement for Followers to be sent reports directly (e.g. in the event of any formal dispute resolution proceedings). Please note that this requirement is applicable to both Part I and Part II (i.e. 2006 and 2010 Claims Schemes) of the Lloyd's Claims Scheme (Combined);
  - indicate how fees will be collected from instructing syndicates;
  - are posted on the IMR, with the appropriate security access if necessary.
- In working with experts, the Lead:
  - communicates the steps the expert is to take to advance claim evaluation and determination;
  - obtains reports on a timely basis and follows up as needed to ensure that the expert is addressing and delivering information and advice consistent with the instructions given;
  - reviews and agrees or queries fee statements;
  - takes steps to ensure that supported invoices are processed and paid on a timely basis.

### Complex claims

- The Lead contacts the Managing Agent of the Second Lloyd's Syndicate on risk to agree the proposed appointment of an expert. Exceptionally, if the Lead is unable to contact the Second, having made their best endeavours to do so and provided the immediate appointment of an expert is essential to protect the interests of the following syndicates, the Lead may instruct an expert without agreement from the Second.
- The Lead advises the expert at the time of instruction that the claim is jointly handled by the Lead and the Second, and requires the expert to simultaneously send all of its reports and other communications in that matter to both the Lead and the Second.
- The Lead and the Second discuss as necessary the management of the third-party experts, including any issues with the expert's advice or actions to be taken in relation to the expert's performance.
- If the Lead and Second are unable to agree on the choice of a third-party expert or the advice to be sought from an expert, that matter is resolved by reasonable discussion, including their respective Heads of Claims or the followers where necessary.

### Second

- The Second works with the Lead in selecting and managing third-party experts for Complex claims. Among other things, the Second:
  - considers whether the instructions are appropriate in the circumstances;

- confirms that expert reports or other advice are reflected on ECF and available to followers;
- checks and follows up to ensure that the expert's assessment is sufficient and current;
- ensures that an appropriate code has been indicated by the Lead on ECF (e.g. when reserve is "TBA");
- reviews whether an appropriate fee reserve is established.
- The Lead and Second ordinarily confer and agree on the choice of third-party experts for Complex claims. If the Second does not agree with the expert proposed by the Lead, the Second explains its concerns and proposes another expert to the Lead who does not present those concerns. Further reasonable discussions to reach resolution follows the process outlined above.

## 4.7 Settlement Process

### Lead

- Where all or part of a claim has been accepted for payment by the agreement parties:
  - the Lead obtains and makes available via ECF documentation which supports that payment and takes such reasonable steps as necessary to confirm that the payment is processed by XCS;
  - the Lead confirms that any fees pertaining to the work leading up to and implementing the payment have been submitted, reviewed, processed and paid accordingly;
  - the Lead continues managing any open balance of the claim up to and including closing the file at the appropriate time.

### Second

- In connection with Complex claims, the Second continues to work with the Lead up to and including settlement and closing the file, including:
  - reviewing, assessing and discussing with the Lead as necessary of proposals by the Lead to settle all or part of the claim;
  - confirming that current, available information relevant to a proposed settlement is on ECF or otherwise accessible to followers, including any third party reports that bear on the decision and proposed action.

### XCS

- Where the agreement parties confirm an authorised action, XCS Technical Processing Team processes all payments and file closures in accordance with its contract and service standards.



## 5.0 RESOLUTION OF DISAGREEMENTS UNDER THE 2010 CLAIMS SCHEME

- As detailed above, the Lead and Second jointly manage and confer concerning the handling of Complex claims. The 2010 Claims Scheme process assumes that, consistent with long-established market practice, the agreement parties will independently evaluate the decisions to be made and, after conferring as necessary, will reach agreement on the steps to be taken.
- Additionally for Complex claims, if any situation should arise in which the Lead and Second are unable to agree, or the follower(s) representing at least 50% of the Lloyd's participation so requests, the following process applies.

### Lead

- The Lead identifies with the Second a mutually convenient date, time, and location for a market meeting and the Lead provides notice and invitation to all managing agents with syndicates that are followers on risk.
- Within sufficient time to allow review prior to the meeting, the Lead identifies to the Second and the followers the matter(s) to be addressed at the meeting and any documentation or other material that should be reviewed prior to the market meeting.
- The Lead chairs the meeting and ensures that all attendees have fair and equal opportunity to ask questions and present their views. The discussion continues until a market consensus is achieved.
- The Lead records on ECF the step(s) in the claim process agreed at the market meeting.

### Second

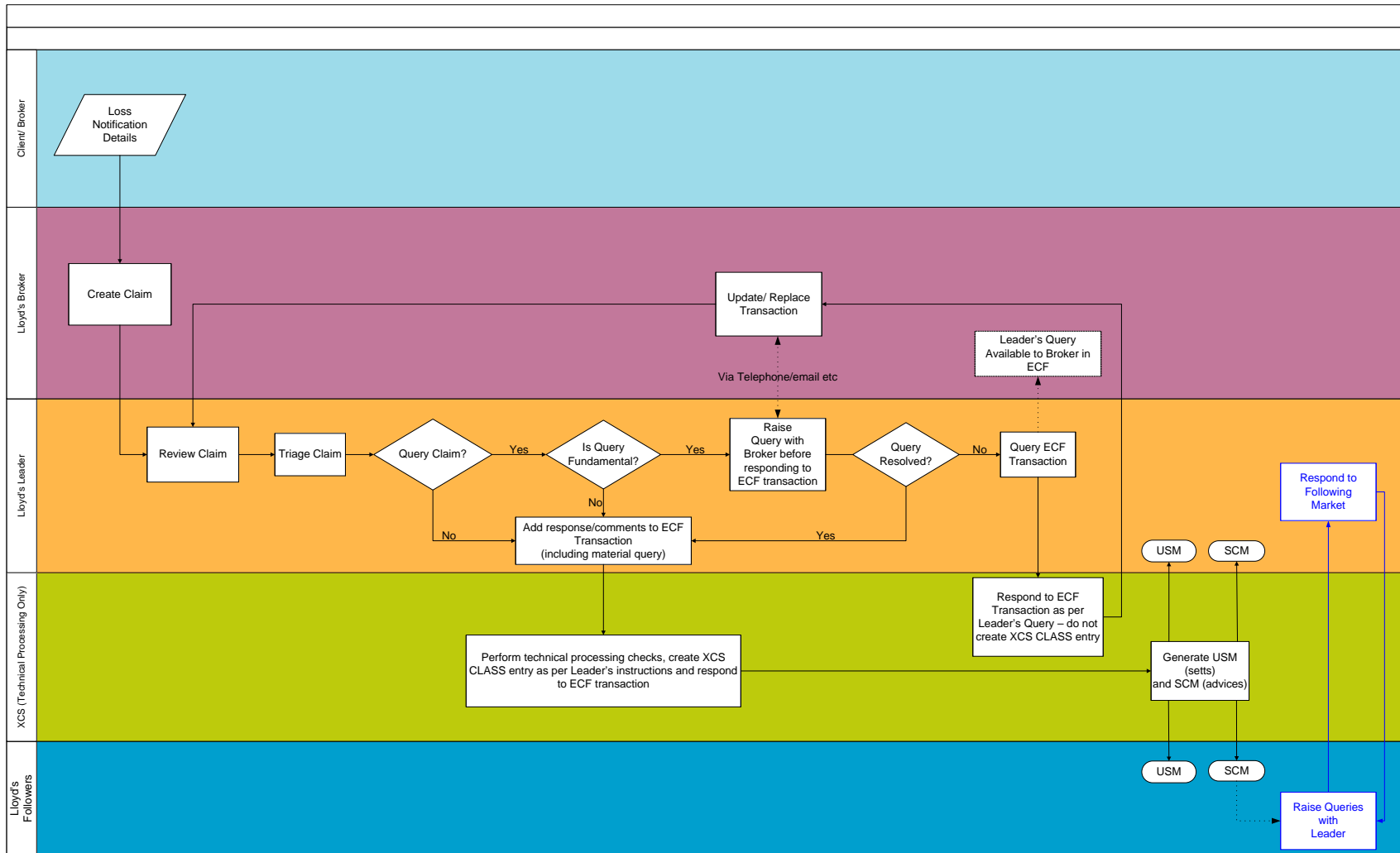
- At the time the market meeting is called, the Second confers with the Lead about the identification of the matter(s) to be addressed at the meeting and any documentation or other material to be reviewed by followers. If the Second does not consider that the identification by the Lead is complete, the Second provides the followers with a supplementary identification.
- The Second assists the Lead at the meeting in ensuring that all participants have a fair and equal opportunity to present their views and to ask questions.

### Followers

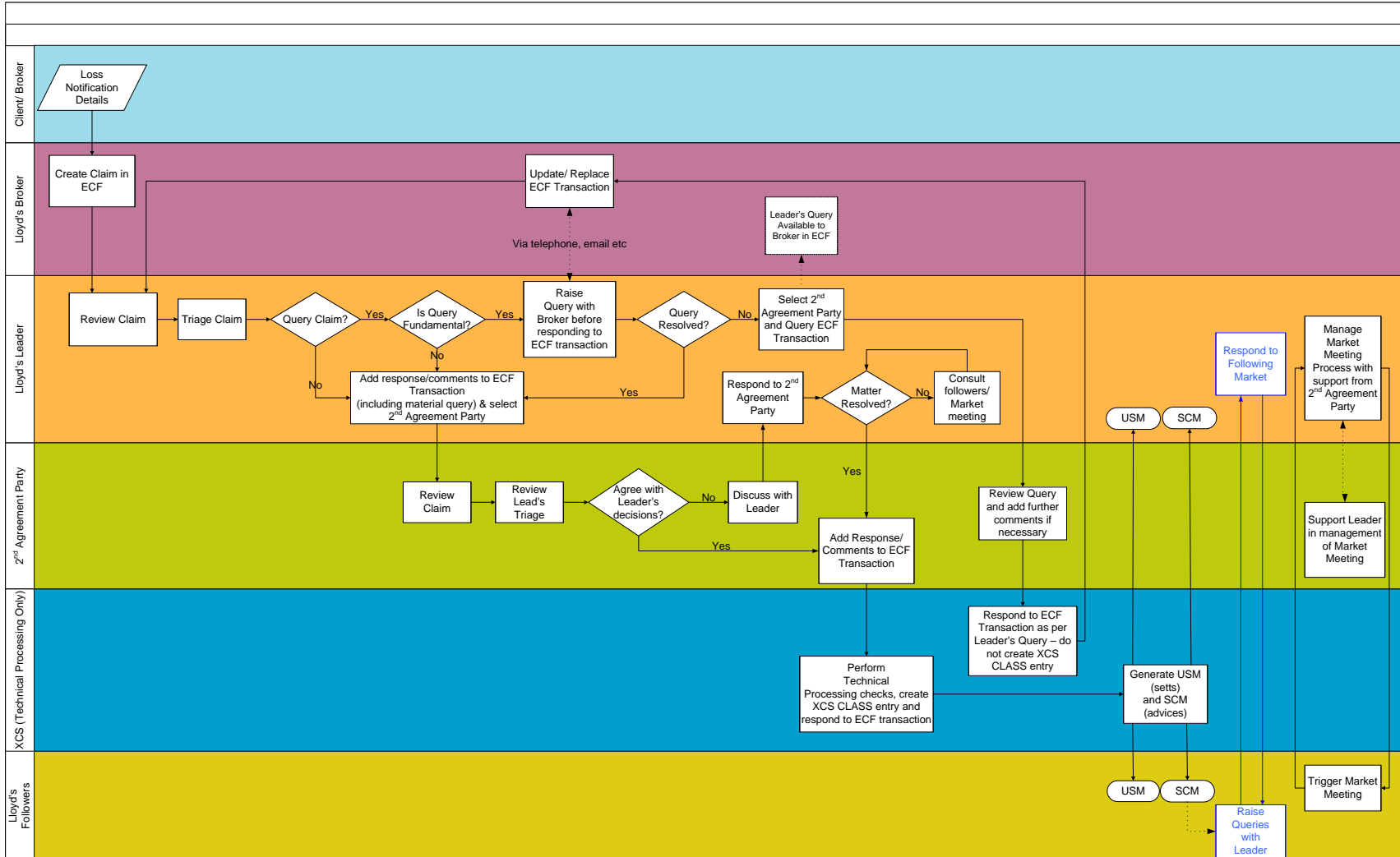
- Followers each select a representative with sufficient experience and authority to speak for the syndicate and who is available to attend the market meeting. The attendees:
  - review the information and material prior to the meeting that was identified by the Lead and the Second and be prepared to comment on the matter(s) for discussion;
  - make best efforts to provide constructive input to the market discussion;
  - commit the syndicate to a position at the meeting.

# 6.0 APPENDIX 1

## Standard Claims Process Overview



## Complex Claims Process Overview



## 7.0 APPENDIX 2

### 7.1 SP&P documents / information

The following list is an extract from the SP&P, being a quick reference to the responsibilities of the Lead when using ECF. If any of this information is omitted or unclear, the Lead will raise a query with the broker and/or advise the XCS Technical Processing team what information should be populated.

- Confirm broker has uploaded correct claims documents and review same. Will include:
  - slip with OSND and policy, if available and all relevant endorsements (including AP / RP and Non Premium)
  - cover note / Certificate / Declaration, where applicable
  - expert reports, invoices, receipts, shipping documents etc
- Check coverage of details and confirm:
  - certificate / Insured / interest / declaration attaches to policy and sum insured
  - DOL / DCM falls within policy / certificate period
  - claim falls within available policy / certificate limits
  - applicable coverage type
  - deductible / excess / franchise correctly applied
  - loss location
- Review and assess claim documentation. Will include (but not limited to):
  - identity of Insured / Coverholder / Cedant / Reinsured
  - preliminary and subsequent loss details
  - expert reports
  - release form / Proof of Loss Form etc

### 7.2 Outstanding / “TBA” Qualifier Codes

Code	Description	Code	Description
M	First Advice, Await Adjuster's Report	A	Await Advice from Cedant / Insured / Coverholder
L	Long Tail Advice	R	Recovery
P	Precautionary Advice on High Layers	S	Subrogation
C	Closed	X	Erroneous Entry to be Closed

### 7.3 XCS CLASS data fields - Lead

The following list shows fields within XCS CLASS which capture information that the Lead ensures is present, correct and clear on ECF, including the IMR. If the information is not present or unclear the Lead advises the XCS Technical Processing team what information should be populated.

Claim Field	Mandatory in XCS CLASS
CAT/Cause/PCS code	
Claim (Transaction) Narrative	Yes
Claimant	
Insured	Yes
Loss Name	Yes
Direct Report Indicator	
Subrogation Indicator	
O/S Expense*	

Claim Field	Mandatory in XCS CLASS
O/S Fee*	
O/S Loss*	
O/S Total / Qualifier*	Yes
PTT Exp	
PTT Fee	
PTT Loss	
Settlement Currency	Yes
Sett Rate of Exch.	Yes – if settlement

\* The Outstanding amounts that the XCS Technical Process team will enter into XCS CLASS will either be derived from the Broker's reserve amounts or the Lead's recommended reserve as detailed in section 4.5.

## 7.4 XCS CLASS data fields – XCS Technical Processing

The following list shows the additional fields which the XCS Technical Processing team complete where applicable.

Claim Field	Mandatory in XCS CLASS
100% VAT Amt	
Advise on SCM Tick Box	
AP SND	
Basis of Limit	
Bkr Claim Ref 1	Yes
Bkr Contact	Yes
Bkr Phone No	Yes
Bkr UCR	Yes
Block Indicator	
Broker TR	Yes
Broker TR /Qual	
Bureau Leader	
Bureau Ppn Amt	
Ccy of Limits	
Certificate of Insurance No(s)	
Charge Type	Yes
Claim Bkr Ref 2	
Claim in Litigation Indicator	
Claim/Ref/Rec	
Claim/Risk Type	Yes - if marine
Country of Origin	Yes
DCM/DOD From	
DCM/DOD Qual	
DCM/DOD To	
DOL From	Yes
Expert Code	
Expert Name	
Expert Org Name	
Expert Ref	

Claim Field	Mandatory in XCS CLASS
Expert Type	
DOL To	
DTI Code	
ECF Claim Indicator	
Excess	
FIL Code 1	
FIL Code 2	
Interest	
Limits	
Location/Voyage of Risk	
Loss Date Narrative	
Loss Fund Advanced Indicator	
Loss Fund Entry Indicator	
Loss Fund Indicator	
Loss Location	
Market Code	
NAIC Code	Yes
NAIC Qual	
Narrative Code	
Non Chargeable Ind	Yes
Orig Ccy	
Orig Insured	Yes
Original Broker	
OSND1	Yes
OSND2	Yes
OSND3	
Other Name	
Other TF Code	
Payee Bkr (Bkr no used in TR)	

Claim Field	Mandatory in XCS CLASS
Payee Broker Pseudonym	
Peer Review	Yes
Perils/Conditions	
Pol/Cert Narrative	Yes
Pol/Cert Period From	Yes
Pol/Cert Period To	Yes
Pol/Cert Qualifier	
Presentation Date	Yes
PTD total	
PTT Total	
Redenom Indicator	
Reinsured	
Risk Code	Yes
Sett/Adv	Yes
Settled in Sett Ccy	
Settlement Bkr Ref 1	
Settlement Bkr Ref 2	
Sim RI Indicator	
Slip Order 1	Yes
Slip Order 2	
Slip type	
State Code	
Syndicate %	Yes
Syndicate No	Yes
Syndicate Ref	
TF Code	
UMR	Yes
Vessel/Aircraft/Conveyance	
Voyage	

Claim Field	Mandatory in XCS CLASS
War Amount	
War Indicator	
XCS Recovery Indicator	
XCS Service Type	Yes
YOA	Yes

