

MARKET BULLETIN

REF: Y4630

Title	Establishment of Claims Outsourcing Arrangements List
Purpose	To notify managing agents of the creation by Lloyd's of a list of claims outsourcing arrangements, and detail the associated benefits and requirements
Type	Event
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Date	1 November 2012
Deadline	
Related links	

List and Notification Process

Managing agents may delegate claims determining authority in respect of contracts of insurance to service providers. Managing agents need to take appropriate steps prior to, and during, the relationship to ensure that those service providers are competent and appropriate taking into account the applicable Claims Management Principles and Minimum Standards and all other applicable regulatory requirements.¹ It is the responsibility of the managing agent (not Lloyd's) to assess the specific suitability of a proposed service provider.

Following consultation with the LMA, and on the recommendation of the Claims Implementation Board, Lloyd's has decided to introduce a process to enable it to keep a list of key service providers to whom managing agents delegate their authority to determine claims.² This will apply to claims for contracts of insurance other than those bound under a binding authority.

¹ See Claims Management Principles and Minimum Standards 2,3,4,5 and 6(h)-(m)

² The expression "to determine claims" in this Bulletin shall mean all activities relating to the acceptance or denial of a claim (in whole or in part), the agreement of any amount payable in respect of a claim or the final resolution of any claim, complaint or other matter ancillary to that claim (whether by agreement or by dispute resolution).

Scope of the notification process

Accordingly, with effect from 1 January 2013, where a managing agent proposes to delegate claims determining authority to a service provider and that delegation –

- (a) will constitute a critical or important outsourcing arrangement by the managing agent (as defined by the FSA Rulebook, [SYSC](#)); or
- (b) will be subject to a services agreement or outsource agreement; or
- (c) is in respect of contracts of insurance of a particular category or for a specified class or classes of business (rather than in respect of an individual contract of insurance),

then the managing agent should notify Lloyd's in advance of its intention to delegate authority to that service provider. Once the details have been notified Lloyd's will then add that service provider's name onto the list.

Other arrangements (such as arrangements for an individual contract of insurance as detailed in that contract, or the arrangements for followers put in place by the Lloyd's Claims Schemes) will not need to be notified.

Notification Details

The notification by the managing agent will include details of the class(es) of business affected (including whether subscription market business or singleton business), limits of authority and the identity of the service provider. Notifications will be made in accordance with such system or process as Lloyd's may operate. **Further details regarding the notification process will be separately provided to managing agent Heads of Claims** and also on [Lloyds.com](#). This will include arrangements to ensure all current service providers will be automatically "grandfathered" onto the list.

On a quarterly basis, managing agents will be asked to make sure that the list of such arrangements notified to Lloyd's is up to date, or to provide such amendments as are necessary to bring the list up to date.

Where a delegation of claims authority that has been notified to Lloyd's is terminated on the basis of concerns as to the propriety or fitness of the service provider, the managing agent should inform Lloyd's as soon as practicable.³

Key benefits

The process described above means that managing agents will need to pre-notify Lloyd's of their intention to appoint a service provider to determine claims. The reason for introducing this as a pre-notification process is so that, if Lloyd's has concerns regarding a specific service provider, it would have the ability to raise those concerns with the managing agent before the managing agent had delegated its authority. Lloyd's will seek wherever possible to raise any such concerns within 48 hours of pre-notification. For the avoidance of doubt Lloyd's will not, however, be "approving" or vetting service providers so notified.

³The process described above is issued per Intermediaries Byelaw, paragraph 36B.

Lloyd's also proposes making the list, in respect of subscription market business, available to other managing agents in order to facilitate informed decisions by following managing agents in respect of the claims agreement arrangements on new placements. We will only make this information available where the managing agent who has made the notification has specifically consented to that disclosure, and only managing agents consenting to disclosure of their own delegations of claims authority will be provided with the list in respect of other managing agents. In any event no commercial information will be included beyond the notification details provided by the managing agent and entered on to the list by Lloyd's (as mentioned above). Provision of this information would be on a quarterly basis.

Claims on risks under binding authorities

Finally, specific separate arrangements apply in respect of the delegation of claims determining authority in respect of contracts of insurance bound under binding authorities (see Lloyd's Bulletin Y4562⁴). Nothing in this Bulletin amends those arrangements.

⁴ And Intermediaries Byelaw (Paragraph 36A, 36D – 36H)