

Market Bulletin

Ref: Y5157

Title	Single Claims Agreement Party
Purpose	To announce the launch of the Single Claims Agreement Party arrangements (SCAP) and related Lloyd's requirements
Type	Event
From	Jon Hancock Performance Management Director Lloyd's
Date	1 February 2018
Deadline	Immediate
Related links	www.londonmarketgroup.co.uk/scap

The London & International Insurance Brokers' Association (LIIBA), the Lloyd's Market Association (LMA), the International Underwriting Association (IUA) and Lloyd's are today announcing the launch of the Single Claims Agreement Party (SCAP) arrangements.

SCAP is intended to simplify the handling of non-complex claims up to £250,000 (or currency equivalent) by providing for the determination of claims by the London market Slip Leader. It will result in significant benefits to policyholders by streamlining claims agreement across the London market. Lloyd's data shows that the combined application of SCAP and the 2010 Lloyd's Claims Scheme means that nearly 9 out of 10 claims with a Lloyd's participation will be eligible for determination by a single agreement party.

SCAP is supported by the Franchise Board as an important step in enhancing the position of the London market, ensuring that it is at the centre of the international insurance industry.

Further details about SCAP are set out in the attached market communication.

All relevant documents, including LMA9150 and the associated guidance can be found at www.londonmarketgroup.co.uk/scap.

Requirements relating to the adoption of SCAP at Lloyd's

In order to ensure the orderly use and adoption of SCAP the following requirements apply.

- Managing agent's processes and controls

While Lloyd's welcomes SCAP as an important step forward for the London market, Lloyd's expects managing agents to have appropriate processes and controls in place for its implementation. Claims personnel will therefore need to be familiar with the terms of LMA 9150 and the associated guidance. In particular, where managing agents are acting as the Slip Leader with authority to determine claims for SCAP Followers, claims handlers need to keep under review whether the claim remains in-scope for SCAP or whether it should be reassigned out of SCAP. Managing agents should note that in addition to the £250,000 financial threshold (or currency equivalent) SCAP also provides for a number of 'soft-triggers' that would require reassignment of claims from SCAP.

In adopting the SCAP arrangements, managing agents should ensure that no changes are made to LMA 9150, without Lloyd's agreement, including to the Threshold Amount of £250,000.

Lloyd's will monitor the use of SCAP within the Lloyd's market as part of its performance oversight role.

- Managing agents to adopt a consistent approach to SCAP on individual risks

Although the adoption of SCAP is optional for participating insurers, difficulties will arise if Lloyd's managing agents do not take a consistent approach to the adoption of SCAP on individual risks. In particular, this would undermine one of the key benefits of the Lloyd's Claims Scheme and the Claims Transformation Project, which is to ensure that on individual risks Lloyd's syndicates adopt a consistent approach to the handling of claims.

Therefore, to ensure policyholders do not lose the benefit of a single Lloyd's response to claims, Lloyd's requires that in subscribing to (re)insurances the managing agents of all following Lloyd's syndicates must elect to adopt or opt out of SCAP in accordance with the decision of the managing agent of the leading Lloyd's syndicate. Accordingly:

- where the managing agent of the leading Lloyd's syndicate elects to adopt SCAP then all managing agents of the following syndicates on the (re)insurance must agree to adopt SCAP in subscribing to the (re)insurance.

- where the managing agent of the leading Lloyd's syndicate elects to opt out of SCAP then all managing agents of the following syndicates on the (re)insurance must opt out of SCAP in subscribing to the (re)insurance.

- Dispensation from Lloyd's Claim Scheme for SCAP claims.

Lloyd's recognises that the adoption of SCAP in policies will mean that managing agents are not able to comply with the 2010 Claims Scheme for in-scope SCAP claims. This will include, for example, circumstances where there is a non-Lloyd's Slip Leader who will be authorised to determine SCAP claims, whereas the 2010 Claims Scheme requires that claims at Lloyd's are determined by a Lloyd's managing agent.

Accordingly, where a contract provides for the determination of claims in accordance with SCAP and where the claim is to be determined in accordance with the SCAP arrangements then managing agents will not need to comply with the 2010 Lloyd's Claims Scheme.

Where, however, SCAP does not apply or where a claim has been assigned out of SCAP then managing agents are reminded that the requirements of the 2010 Claims Scheme continue to apply.

Further information

Further details of SCAP can be found in the attached market communication and all relevant documentation is available at www.londonmarketgroup.co.uk/scap.

Questions about SCAP should be directed by carriers and brokers to their relevant market association. For questions to Lloyd's, please contact:

Tim Lovick
Claims Improvement Manager
Tel: 020 7327 5584
Email: tim.lovick@lloyds.com



SCAP Launch Market Communication

Single Claims Agreement Party (SCAP)

SCAP is the London Market initiative to develop a more effective process for the settlement of lower value, non-complex claims (£250,000 and below) where multiple London agreement parties exist. It is a contractual arrangement to delegate sole claims handling responsibility to the Slip Leader (which must be a London Market carrier).

It represents a significant step in ensuring that the London Market remains competitive and at the centre of the international insurance industry through the implementation of innovative and efficient working practices.

SCAP has been designed for adoption by brokers and carriers on individual risks, with participating carriers having the option to contract out of SCAP should they choose. To achieve this, an inter-carrier agreement has been produced for inclusion in the Market Reform Contract (MRC). The clause has been published as model wording LMA 9150 together with accompanying guidance. MRC (Open-Market) Implementation Guide v1.8 (February 2018) has been updated to support the adoption of SCAP.

All supporting documents and FAQs can be found at www.londonmarketgroup.co.uk/scap.

Development of and support for SCAP

SCAP has been a collaboration between LIIBA, LMA, IUA and Lloyd's, following a call from LIIBA's membership to enhance the London claims service for the customer. The delivery of SCAP is intended to provide an efficient claims agreement process for non-complex claims up to £250,000 and thereby reinforce the attractiveness of the London market.

The SCAP programme commenced in April 2017. Market support has been provided through the associations' membership. A Steering Group (supported by a number of working groups) reported to the respective associations and Lloyd's boards. External legal counsel was appointed to assist with the drafting of the inter-carrier agreement (LMA 9150). Following the development of the inter-carrier agreement and the supporting operating principles, extensive market consultation was undertaken in September 2017. This confirmed support for the adoption of SCAP and the approach proposed.

In December 2017, the four market associations confirmed their support for SCAP following board approval

Benefits of SCAP

SCAP offers significant potential benefits to the London Market:

- It will simplify the agreement of a large number of claims, but which together are calculated to only represent a small proportion of the London Market's total claims cost. While full cross-market data is not available, as many as 80% of claims across the market could be in scope for SCAP.
- Having to deal with multiple claims agreement parties has been identified as a barrier to the ease of doing business in the London Market for lower value claims. SCAP seeks to address that concern.

- Having a single claims agreement party reduces expense for brokers and carriers, potentially allowing significant savings.

Key Features of SCAP

SCAP is a contractual arrangement that provides, through the incorporation of LMA 9150 into the MRC, for the delegation of claims handling authority to the London Slip Leader for all in-scope claims.

The arrangement can be adopted by brokers and carriers on a risk by risk basis, through the inclusion or omission of LMA 9150 into the contract, with individual participating carriers having the ability to opt out of SCAP at the point of placement should they choose. It should be noted, however, that all Lloyd's syndicates participating on a placement will be bound to the SCAP arrangement in accordance with the decision of the leading Lloyd's syndicate participating on the risk - see Market Bulletin Y5157.

Key features include:

- The application of SCAP is optional for brokers and carriers and will need to be considered at the point of placement.
- The current SCAP threshold is fixed at GBP 250,000 (or currency equivalent) to the slip.
- The SCAP Slip Lead must be a UK authorised (re)insurer or a Lloyd's syndicate
- SCAP operates to give delegated authority to the SCAP Slip Lead to determine claims for the followers on the same MRC where those followers agree to adopt SCAP and participate on the risk on the same terms (other than premium and brokerage). The SCAP Slip Lead cannot determine claims on behalf of insurers that participate on the risk through a different slip or where there are different terms.
- Insurance and reinsurance placements are both in scope for SCAP. However, binding authorities, proportional treaties and quota share treaties are outside of scope.

Implementation of SCAP

SCAP can be adopted for new and renewing risks on risks bound from 1 February 2018.

The SCAP model and LMA 9150 cannot be applied retrospectively to open claims or contracts bound prior to 1 February 2018.

Further guidance on the adoption of SCAP, including the operating guidelines to be followed, is provided in the guidance document that accompanies LMA 9150.

Training

Online training explaining how to apply SCAP is being developed by the sponsoring associations and will be available shortly. Further information will be issued in due course.

Further Information

All relevant documentation can be downloaded from the London Market Group website at: www.londonmarketgroup.co.uk/scap.

Questions about SCAP should be directed by carriers and brokers to their relevant market Association at the following contact details:

Mark Knight
Associate Director
LIIBA
mark.knight@liiba.co.uk

Lee Elliston
Claims Director
LMA
lee.elliston@lmalloyds.com

Mark Baker
Senior Market Services Executive
IUA
mark.baker@iua.co.uk

Tim Lovick
Claims Improvement Manager
Lloyd's
tim.lovick@lloyds.com

Dated: 1 February 2018