

MARKET BULLETIN

From	Head of Claims Franchise Performance Directorate (extn 5552)
Date	5 July 2006
Reference	Y3843
Subject	Lloyd's 2006 Claims Scheme - Exempt Satellite Risk Claims
Subject areas	Lloyd's requirements for the handling of satellite risk claims which fall outside the scope of the Lloyd's 2006 Claims Scheme
Attachments	None
Action points	Managing Agents to note these requirements
Deadlines	The Lloyd's 2006 Claims Scheme became effective on 1 April 2006. These requirements are supplemental to the 2006 Claims Scheme

Introduction

This bulletin explains Lloyd's requirements for the determination of exempt satellite risk claims which are defined in the Lloyd's 2006 Claims Scheme (the "2006 Scheme") as claims "on a contract of insurance coded with such risk codes as the Franchise Board may from time to time prescribe". Such claims are exempt from the 2006 Scheme.

Background

During the consultation for the 2006 Scheme, Lloyd's, the LMA and XCS (the Scheme Service Provider) engaged in a discussion on the suitability of the 2006 Scheme for determining claims arising from satellite risks.

During these discussions it was agreed that the security issues surrounding the investigation of satellite risk claims and the sensitive nature of technical information made the application of the 2006 Scheme to these claims problematical. It was clear that the requirements of the International Trade in Arms Regulations (ITAR) and other worldwide governmental regulatory requirements meant that it would be practically and legally difficult to enforce the provisions of the 2006 Scheme in the determination of satellite claims.

Nevertheless it was agreed by all parties that the fundamental principles behind the operation of the 2006 Scheme and the Lloyd's Claims Management Principles and Minimum Standards should be adopted in a manner that would enable satellite claims to continue to be handled efficiently and effectively in the Lloyd's market without prejudicing the ability of the market to continue to service this class of business.

Lloyd's Requirements

As stated in the introduction, "exempt satellite risk claims" are defined in the 2006 Scheme as "claims on a contract of insurance coded with such risk codes as the Franchise Board may from time to time prescribe". The following risk codes have been prescribed for the purpose of this definition –

CX	Space Risks Launch Commissioning and Transponder Operating
SC	Space Risks Launch and Commissioning Period
SL	Space Risks Liability No Products Legal Liability
SO	Space Risks Transponder Operating

It should further be noted that the exemption for satellite claims has been granted **subject to Managing Agents meeting the following requirements for determining claims that fall within the definition of "exempt satellite risk claims"**.

1. *Open market satellite risk claims* – exempt satellite risk claims arising from open market business shall be determined by the Lloyd's underwriter of each syndicate which underwrote the insurance, acting on his or her own behalf. A Lloyd's underwriter may delegate the determination of an exempt satellite risk claim to another person provided that the delegation is properly documented and notified to the Lloyd's underwriters of the other participating syndicates, the insured and any relevant broker.
2. *Claims under consortium arrangements* – exempt satellite risk claims arising from insurance written by syndicates under consortium arrangements will be determined in either of the following ways –
 - a. by the Lloyd's underwriter of each syndicate which participates in the consortium, acting on his or her own behalf ; or
 - b. by the "consortium manager" acting on his own behalf and on behalf of each syndicate participating in the consortium, provided that the terms of the delegation of authority by each of the relevant syndicates to the consortium manager are properly documented in the consortium agreement.
3. All other claims will be determined in accordance with the provisions of the 2006 Scheme.

Queries

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