

MARKET BULLETIN

REF: Y4196

Title Lloyd's Asia – Stage I Enhancements; Franchise Standards, Claims Handling & Placement Protocols

Purpose Following consultation with the Lloyd's Asia Market, the purpose of this Market Bulletin is to clarify Lloyd's position with regards to a number of the elements of Stage I work; Franchise Standards, Claims Handling & Placement Protocols, detailing action required and to provide future direction on these subjects.

Type Event

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Deadline Immediate Action Required

Related links Franchise Standards:
www.lloyds.com/Lloyds_Market/Performance_management_framework/Franchise_Standards
London MRC & Implementation Guides:
www.marketreform.co.uk

Introduction

Lloyd's Asia has grown in recent years, maturing into a subscription market with an increasing complexity of risks being written. Both the visit by FPD & Risk Management and work completed earlier in the year, concluded that the management, oversight and operation of the market place would benefit from enhancing so as to enable Lloyd's Asia's continued success and growth.

Lloyd's aim is to continue the development of Lloyd's Asia, operating locally as *"an extension of The Room"* with enhancements seeking to support the operation of an effective and efficient subscription market.

Lloyd's is implementing a framework to proceed in two Stages in meeting this aim.

Stage I: addresses short term initiatives which aim to deliver immediate benefits to enhance the operation and management of Lloyd's Asia.

Stage II: addresses longer term proposals which will build on Stage I, to, where commercially sensible, deliver commercial benefit to participating managing agents, seeking to implement consistent processes in line with London Market Process Reforms. Stage II will also focus on options to enhance premium and claims processing as well as more efficient regulatory reporting.

Purpose

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Franchise Standards

Lloyd's expects that all managing agents and syndicates will be able to demonstrate that they meet or exceed the requirements of Lloyd's Standards for the management of Claims, Risk and Underwriting including Contract Certainty principles.

- This expectation extends to managing agency operations overseas including those in Lloyd's Asia.

Lloyd's Asia Claims Handling Protocols

The current infrastructure for claims management in Lloyd's Asia does not support the operation of the Lloyd's 2006 Claims Scheme ("Claims Scheme").

Accordingly all claims arising from business placed in Lloyd's Asia are exempt from the Claims Scheme (i.e. claims are not to be determined on behalf of underwriters by a market shared service provider, as they are in London, by Xchanging Claim Services).

For subscription business, pending the introduction of a claims protocol (referred to below), there should be an effective claims process in place which appropriately protects the interests of the managing agents. Managing agents within the same layer of coverage written on substantially the same terms should use their best endeavours to communicate with each other in relation to each claim notified to agree a process for the handling of the claim.

In relation to existing slips that contain a reference to the Lloyd's 2006 Claims Scheme:

- Managing agents should, on notification of any claim or subsequent advice received after the date of issue of this bulletin, inform the broker in writing, that with regards to business written in Lloyd's Asia:
 - the Claims Scheme does not apply to Lloyd's Asia markets
 - Xchanging Claim Services is not a claims agreement party on behalf of the followers in Lloyd's Asia and
 - each Lloyd's Asia underwriter will agree its own claims.

Lloyd's Asia Claims Protocol

A protocol will be developed, in consultation with the market, by the end of 2008 to facilitate effective and appropriate communication both between Lloyd's co-subscribers and, as appropriate, to Lloyd's, to ensure that the interests of policyholders and the Lloyd's Market continue to be protected.

Placement Protocols

Lloyd's strongly recommends the use of the Market Reform Contract (MRC), Template & Guidelines, for all business, subscription and non-subscription, placed in Lloyd's Asia. In preparing and revising MRC slips pre-bind, in particular for subscription business, Lloyd's strongly recommends the use of the MRC Implementation Guides which were developed by market practitioners to meet the challenge of Contract Certainty. In support of the above Lloyd's Asia Claims Handling Protocols and in recognition of local arrangements, managing agents should note that:

- For Lloyd's Asia markets, where alternative arrangements apply, there should be no reference to their participation in Bureaux Arrangements or the Claims Scheme
- The Subscription Agreement guidance notes are strongly recommended to be followed

Lloyd's Asia MRC Wrapper

Lloyd's will develop, for consultation, a Lloyd's Asia 'Wrapper' setting out local placement protocols, to be used in conjunction with the London MRC Implementation Guides, with the intention to phase implementation, commencing with more complex subscription business

Signed

Rolf Tolle

Contacts

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