

## Lloyd's Claims Lead Arrangements (CLA)

- Lloyd's Claims Scheme (2010) replaced by CLA with effect from 1 June 2023.
- Use of Watch List (WL) Indicators to inform the following market.

This is a best practice guidance note to be read in conjunction with the Lloyd's CLA, the 3 Guidance Notes, Training Modules 1-3 May 2023 and the Refresher Training July 2024. See [Claims Scheme documents \(lmalloyds.com\)](#).

The agreement parties have a duty to followers to provide a proactive, effective claims handling service exercising reasonable skill and care as a competent managing agent in line with Lloyd's Principles. See [Principles for doing business at Lloyd's](#).

### Out of Scope CLA Claims:

CLA will apply unless:


- 2006 Claims Scheme applies: singleton claims
- SCAP: [SCAP \(lmalloyds.com\)](#)
- ex gratia, rescission and commutations decisions are outside the leads' authority
- all other decisions of the lead (plus second if complex) are binding on the followers
- syndicates should use best endeavours to arrive at consensus
- if syndicates cannot reach consensus, follower(s) wishing to diverge from the leads' decisions should ask the Lloyd's Claims Team for dispensation from the CLA.

### Triage: **Complex** or **Standard**?

#### New dynamic triaging process:

- Consider if 2 pairs of eyes are required, on every transaction, throughout the lifecycle of the claim having regard to all circumstances
- **Complex** claims can be **Standard** if 2<sup>nd</sup> Claims Agreement Party (CAP) is not necessary (at that juncture) because they are adding no value.

**Complex Triggers** (Lead must select correct CAP (if appropriate) and no other Lloyd's parties):

<p><b>Financial:</b> over 50% chance of the amount claimed or likely to be claimed breaching</p> <ul style="list-style-type: none"> <li>• 1<sup>st</sup> Party Insurance: GBP 2m (per Lloyd's share)</li> <li>• 3<sup>rd</sup> Party Insurance: GBP 1m (per Lloyd's share)</li> <li>• Non-Proportional Treaty RI: GBP 5m (per Lloyd')</li> </ul> <p>To determine if 1<sup>st</sup> or 3<sup>rd</sup> party see Risk Codes in Section 2 of the CLA</p>  <p>20.4 LCLATP Schedule 2 FINAL (7)</p>	<p><b>Non-Financial (Complex codes):</b></p> <ul style="list-style-type: none"> <li>• <b>DISP:</b> actual (court/arbitration/FOS proceedings) or potential disputes between the (Re)insured and Lloyd's syndicates (if litigated, Lead to get Velonetic to tick litigation indicator)</li> <li>• <b>ECON:</b> bad faith/extra contractual damages sought v (Re)insurers</li> <li>• <b>REGU:</b> (potential) breach of regulations by (Re)insurers</li> </ul>
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### Standard Triggers (Lead is sole CAP):

- **WL Indicators** (can also be **Complex** secondary indicators):
  - CLAS:** multiple party litigation/class actions
  - CMNL:** criminal case against insured
  - INJF:** serious injury/fatality
  - CIVC:** civil action alleging criminal acts (excluding D&O and BBB)
  - PPO:** settlements using Periodic Payment Orders or similar
  - RANM:** ransom situation (excluding Cyber and K&R policies)
  - QUAN:** to be applied where there is a reasonable chance of a material deterioration against the reserve and supported by Lead CAP comments, a Material Development Communication and/or expert's report. Reasonable chance of deterioration means:

- For **Standard** claims: the lead believes there is a 25-50% chance of the reserve deteriorating in an amount that will exceed the **Complex** financial criteria (if the lead believes the chance of the amount claimed exceeding the **Complex** financial criteria is higher than 50% the claim should be triaged as **Complex**).
- For **Complex** claims: the lead and 2<sup>nd</sup> CAP's joint view is there is a more than 25% chance of the reserve deteriorating in an amount they assess as being material.
- **Proportional Reinsurance & Bordereaux**: will always be **Standard** unless **Complex** individual claims are split off from Block.

### Key Process:

- **WL data capture:**
  - Capture any applicable WL Code or Complex code within Lloyd's CAT Code data field.
  - Major Loss Tracking Code (MLTC) takes priority over any WL codes in the Lloyd's CAT Code data field.
  - In the Private Comments ask DXC to capture in the claim narrative any secondary WL or complex code.
- **Communication with Followers:**
  - Material Development Communications (MDC, formerly called KEPs) to be issued to inform the following market of any significant developments or material financial movements [Material Development Communication for Insurers](#) If there are confidentiality or privilege issues it can be circulated by the expert (The LMA has collated a Master Address Book).
  - Send link function in ECF.
  - Public and Private Comments.
  - SCM narratives (all syndicates must check these).
  - WL Codes or Complex code.
  - Market Meetings.
  - Circulation of reports from lawyers to full market.

### ECF Best Practice

#### Financials:

- If necessary enter/update Lead Reserve fields.
- Reserves should be confirmed in Private Comments field.
- If there is no ECF sequence to respond to see "Instructions to Velonetic outside ECF" below.

Public Comments (visible to broker and market)	Private Comments (visible to Velonetic and market only)
<ul style="list-style-type: none"> <li>• Select/update Triage category (<b>Standard</b> or <b>Complex</b>).</li> <li>• Enter Public Comments (15 lines maximum for all agreement parties).</li> <li>• Public Comments should be meaningful and outline the latest developments.</li> <li>• Date, Full Name &amp; Syndicate sign off.</li> </ul>	<ul style="list-style-type: none"> <li>• To be updated on every sequence.</li> <li>• Enter SCM narrative (see "SCM narrative" guidance below).</li> <li>• Reference if direct reporting in SCM.</li> <li>• Explain why triage category has been selected or maintained.</li> <li>• If applicable instruct Velonetic to tick the litigation indicator.</li> <li>• Add WL Code or Complex Code.</li> <li>• Nominate the most suitable Outstanding Qualifier Codes if no reserve entered.</li> </ul>

CAPs should give clear instructions to Velonetic in the Private Comments as to the Outstanding Qualifier Code to use:

Code	Description	Code	Description
A	Await Advice from Cedant	X	Erroneous Entry to be closed
C	Closed	P	Prec Advice on High Layers
L	Long Tail Advice	S	Subrogation
M	First Advice, Await Report	U (from 27 <sup>th</sup> Sept 2015)	Uber Precautionary

#### Outstanding Qualifier Codes:

- are required on open claims for all currencies only with a nil reserve.
- are different to Broker Qualifier Codes.
- must be monitored on subsequent movements as it may need to be changed as the claim progresses.
- 'A' and 'M' go static after 6 months and 'M' should not be used through the lifecycle of a claim.

- 'L' and 'P' are better suited to long tail classes and go static after 12 months. 'P' should only be used on excess layers.
- For large claims off a binder, where the financials are held on the bordereau entry, the ECF transaction for the individual claim should have a OQC of 'A' even though Velonetic do not create a COR.

#### SCM narrative:

- should be provided on each ECF sequence and the data captured complete and accurate with clear evidence of decision making.
- needs to be meaningful for the following market but not too long as there is a 50-character limit (Velonetic will abbreviate it if it is too long and can lose its meaning).
- WL code or Complex Code instructions if required.

#### Guidance for Private Comments for Lead:

Standard	Complex
<p>OQC: Watchlist Code: Triage: Standard Reason for triage: <i>Standard as none of the financial or non-financial criteria apply to justify complex triage or complex criteria are met but second pair of eyes not needed.</i> Expert Instruction: It is a requirement to give the expert the UCR for their report SCM: Summary narrative including watchlist code(s) Velonetic: Reserving instructions</p>	<p>OQC: Watchlist Code: Triage: Complex Reason for triage: <i>Triage: Complex as quantum is above the CLA financial threshold for a 1<sup>st</sup>/3rd party claim and is therefore complex</i> Expert Instruction: It is a requirement to give the expert the UCR for their report SCM: Summary narrative including watchlist code(s). Velonetic: Reserving instructions</p>

#### Velonetic financial instructions:

Velonetic hold all reserves in 100% figures but can split them in three separate 'pots':

Loss (indemnity)	Expense (defence costs)	Fees (coverage, monitoring, adjuster, etc costs)
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- If you have a split reserve, you must give clear instructions to Velonetic as to which 'pot' to enter the figures in (i.e. Velonetic, please hold GBP 100,000 for 'Loss' and GBP 50,000 against xxx law firm as a 'Fee' reserve) and complete the Lead reserve fields.
- If paying Loss, Expense or Fees, you must give clear instructions to Velonetic to reduce the outstanding reserve(s) by the paid amount(s).
- If the main UCR is triaged **Complex**, the parallel UCR must be triaged Complex too.

#### Instructions to Velonetic outside ECF:

- From 1 June 2023, handlers are responsible for raising or updating reserves and other key data changes via the broker, getting a new transaction raised on ECF if necessary.
- This is unless there is a good reason to go direct to Velonetic (such as coverage issues and/or not wanting the broker to know legal advisers are retained).
- Direct settlements, statics and Velonetic error amendment processes remain unchanged (i.e. Velonetic will still accept email submissions for these).

#### Other Key Processes:

- LBS: See [Lloyd's Europe: Home](#).
- Core Documents: To be loaded to the IMR on **Complex** claims as well as **Standard** WL Claims (includes communications between the Lead and 2<sup>nd</sup> CAP on dynamic triage).
- Conflicts: To be managed in accordance with usual market procedures.
- R.O.E: To assess GBP financial trigger in other currencies use x.e.com or equivalent.
- Sanctions: If the Lead detects a false positive that is subsequently cleared all followers still need to be alerted so they can undertake their own checks before any payments can be made.