MARKET BULLETIN

Title	Use of appropriate slip language for Claims Agreement as outlined in the Lloyd's Claims Scheme (Combined)
Purpose	To remind Managing Agents and Lloyd's Brokers that appropriate language specifying the Claims Agreement Parties and Basis of Claims Agreement must be used on all slips
Type	Event
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Deadline	None
Related links	http://www.lloyds.com/claimsscheme

Managing agents and brokers are reminded that they should ensure that all slips use appropriate language under the headings for "Claims Agreement Parties" and "Basis of Claims Agreement".

This follows the introduction from 1 January 2012 of the Lloyd's Claims Scheme (Combined) as part of the Claims Transformation Programme (Market Bulletins Y4522 and Y4578).

Following a recent file review Lloyd's has concerns that managing agents and brokers are not currently including the correct details in all contracts. In its review Lloyd's looked at 328 files taken from 23 managing agents and covering placements by 43 brokers. The results show that 39% of contracts were flawed, of which:

- 57% used incorrect language and did not identify the second Lloyd's syndicate
- 26% used correct language but did not identify the second Lloyd's syndicate
- 17% used incorrect language but correctly identified the second Lloyd's syndicate

Suggested language for use

An example of acceptable claims agreement provisions for the Lloyd's market on any new contract is as follows:

> **"Basis of Claims Agreement:**
>
> Claims to be managed in accordance with the Lloyd's Claims Scheme (Combined), or as amended or any successor thereto.
>
> **Claims Agreement Parties:**
>
> For Lloyd's syndicates:
>
> The leading Lloyd's syndicate and, where required by the applicable Lloyd's Claims Scheme, the second Lloyd's syndicate and/or the Scheme Service Provider.
>
> The second Lloyd's syndicate is *JKL (1234)*"*

* Example only

This language is consistent with the Market Reform Contract (MRC) guidelines which were amended to include a field for this purpose. The updated guidance on the MRC was issued by the London Market Group in October 2011 and came into effect on 1 February 2012. Details of the change were advised in Market Bulletin Y4522.

The above is an example of correct language, which Lloyd's encourages brokers and managing agents to use.

Any alternative language should refer either to:
  i)   "the Claims Scheme (Combined) (or as amended or replaced)", or
  ii)   if applicable, "the 2010 Claims Scheme (or as amended or replaced)", or
  iii) if applicable, "the 2006 Claims Scheme (or as amended or replaced)".

The contract should also identify all Claims Agreement Parties, namely the lead and the second lead for the 2010 Claims Scheme and the lead and Scheme Service provider if the 2006 Claims Scheme applies. This is to ensure that the parties are clear as to the responsibilities assigned to them at the time of placement. Failure to be clear at the outset increases the risk of confusion and disputes in the event of a claim, with the potential for damage to Lloyd's reputation.

Existing contracts, or slips for risks which are already fully placed, do not require endorsing with the appropriate language if they do not already employ it. However, claims handlers that are notified of any claims against contracts that contain inaccurate wording are expected to point this out to brokers in writing immediately and to confirm the correct position.

The Claims Scheme cannot be overridden by using other language in the contract without express dispensation from Lloyd's.

Lloyd's is monitoring the use of the appropriate language for claims agreement in contracts. In the event that use of appropriate language does not improve further action will be taken.

Questions relating to the above may be directed to the Claims Transformation Programme project team on 020 7327 5900 or CTP@lloyds.com.