

Lloyd's Urgent Settlement Guidance

Urgent arrangements for time critical payments of premiums and claims if either DXC settlement services or Lloyd's central accounting system (STFO) are unavailable.

August 2023 (v.2.0)

Introduction

This guidance is intended to help ensure that in event of disruption to Lloyd's Central Settlement (STFO) or DXC premium and claims services that Managing Agents are able to:

- Process time critical payments of premiums (including additional premiums and return premiums) and claims.
- Clarify the roles of Lloyd's managing agents and Lloyd's brokers (and others connected to the DXC and Lloyd's central settlement services) in the event of disruption.
- Outline how Lloyd's managing agents and Lloyd's brokers will receive essential information relating to those payments in order to maintain and reconcile their own accounts, books and records, not least for tax and regulatory reporting purposes.

By ensuring these remain possible despite disruption, the aim is to reduce the possibility of intolerable harm to customers.

The guidance is designed to support time-critical payments for a period of outage not exceeding 10 working days and should only be utilised for the most urgent of settlements which, if unsettled, would result in intolerable harm to policyholders, managing agents or the market.

Further guidance for outages lasting beyond 10 working days will be developed in collaboration with Managing Agents, Brokers, LIMOSS, DXC and Lloyd's.

In the event of a full or a partial outage, Lloyd's Head of Technology Controls and Operational Resilience, in consultation with the London Market Crisis Triage Group or other internal stakeholders, may recommend to Lloyd's COO and CFO that urgent and direct settlement is required. The COO and CFO will approve the use of urgent and direct settlement, and this will then be communicated to the Market.

The relevant Lloyd's Claims Scheme will continue to apply throughout the partial or full outage and the recovery from the partial or full outage.

Managing agents and brokers will need to identify critical payments requiring urgent settlement which, if unsettled, would result in intolerable harm to policyholders, managing agents or the market. The identification and prioritisation of these critical payments should be done by the Lead or Primary Agreement party and brokers together - potential critical payments could include:

- Time sensitive claims settlements
- Payments vulnerable customers
- Court orders
- Premium Payment Conditions and Premium Payment Warranties
- CAT claims
- Any other payment which may be deemed urgent

A full or partial outage of Lloyd's Central Settlement Services will be notified to brokers and managing agents by Lloyd's and both the LMA and LIIBA will be advised by Lloyd's Head of Technology Controls and Operational Resilience. Lloyd's will invoke its response group to oversee its response and communication plan. Lloyd's will also update its service status page [here](#)

A full or partial outage of DXC services will be notified to brokers and managing agents through a DXC bulletin and the status of their services posted to the service status page [DXC LM - Systems Status \(statuspage.io\)](#). DXC will activate its Market Crisis Communications Plan comprising of representatives from LMA, Lloyd's, LIIBA, the IUA and the Chair of the Associations Services Committee to be briefed on the outage, the impact on the services (duration and volumes), the implementation of the response and recovery plans and the communications to the Market.

All managing agents are expected to consider this guidance in developing and testing their response and recovery planning and to make appropriate arrangements to implement those plans at short notice.

It should be noted that Lloyd's communications in the event of disruption will not include third party vendors and, as such, managing agents and brokers may need to consider informing them as appropriate.

Any questions concerning this guidance should be sent by email to: opriskmailbox@lloyds.com or craig.james@lloyds.com

Direct and Urgent Settlement

Once the move to urgent and direct settlement has been invoked and having identified urgent settlements and other transactions, Lloyd's brokers should follow their existing internal procedures for direct payments. This will include co-ordinating lead and follow approvals where required, confirming that the claim has not already been settled through the Faster Claims Payment service and issuing the necessary documentation to enable Lloyd's managing agents to approve, record and settle transactions (e.g. bank account details).

When managing agents are providing funds to brokers for settlement, the following naming conventions should be used as payment references:

- If settling a statement (multiple clients and or multiple unrelated balances) then the statement reference should be included in the banking remittance details
- If settling individual balances (i.e. Same client – Claim with/without linked RIP or Account) then the UMR and associated invoice numbers should be used

Please note, it is the responsibility of the relevant market participant to ensure monies are being sent to the correct accounts and any issues or inaccuracies may result in further reconciliation being required.

Lloyd's managing agents using the Faster Claims Payment services to maintain Delegated Underwriting Authorities' loss funds at an appropriate level should continue to monitor and replace funds when required to do so.

In the event a Claims Agreement Party is subject to a disruption, or there is market wide disruption, and is either unable or unwilling to access Electronic Claims File(s) (ECF) to review and respond to claims, the Claims Agreement Party may choose to liaise with brokers and other policy participants to designate ECF actions to a new Claims Agreement Party. Upon agreement of all Claims Agreement parties, the broker can temporarily amend the Claims Loss Advice and Settlement System (CLASS) and upload documentation detailing the agreement to the Insurers' Market Repository (IMR). The delegation of responsibility is for processing purposes only and the Claims Agreement Party will continue to act as the instructing insurer.

Once the disruption has concluded the broker(s) must reverse the amendment in CLASS and the instructing insurer will continue to review and respond to claims on ECF

Payments to Lloyd's American Trust Fund or Lloyd's Canadian Trust Fund

In circumstance where it is necessary for monies to be paid from either Lloyd's American Trust Fund or Lloyd's Canadian Trust Fund, a Lloyd's managing agent must send payment instructions to the trustees to make these payments on its behalf.

Payments involving Lloyd's Insurance Company (LIC)

For Part VII business, it is possible to process non-cash transactions and syndicates are able to make payments from settlement accounts directly to brokers. As a result, there would be no need for instruction, but the syndicate should inform LIC that a payment will be made.

For Non Part VII business, an instruction will need to be given to LIC to pay a broker, then the syndicate will need to transfer funds to LIC and then LIC can process payment to the broker. This would be a very low volume process and only possible for the most urgent of settlement situations.

Letters of credit

If a Lloyd's managing agent is settling urgently by drawing down on a letter of credit, then the beneficiary should be instructed to draw down and the [Lloyd's broker] should submit the appropriate documentation to Lloyd's STFO to enable the records to be updated after the services have been recovered.

If this is not feasible, the [Lloyd's broker] should contact STFO who will process the settlement manually. Contact: Lloyds-stfomail@lloyds.com

Tax and Regulatory Reporting

In a number of jurisdictions including the US, Canada, Australia and South Africa, Lloyd's is obliged to file tax and regulatory reports on behalf of Lloyd's managing agents and members in respect of the insurance transactions they have entered into. The information needed to compile those reports is ordinarily obtained from DXC. Lloyd's will be responsible for advising regulators and tax authorities

of the impact of the full or partial outage on their returns and including any estimates that may be required to avoid excessive fines, penalties or interest being charged to the Members.

Unless otherwise instructed, Lloyd's managing agents will continue to report to the UK regulators in accordance with their existing reporting requirements. In any case, Lloyd's will determine whether it is appropriate on its own behalf to advise the UK regulators of a full or partial outage.

Recovery of services

DXC and Lloyd's are expected to recover and clear any backlogs in transactions as soon as possible to remain within their service level agreements, recovery time objectives and recovery point objectives and in any case within their respective maximum service outages. The current maximum service outage is 10 days for DXC services and two weeks for Lloyd's central settlement services. They should communicate regularly to both Lloyd's brokers and Lloyd's managing agents.

DXC and Lloyd's are expected to use all reasonable efforts to pause payments approved for settlement when the outage occurred to avoid duplication of payments. DXC should provide reports to Lloyd's brokers to enable them to identify and remove from settlement those transactions already settled directly or using the Fast Claims Payments (FCP) service. FCP contains a portal to review which claims have been paid. Lloyd's managing agents are expected to have controls and processes in place to reject requests for duplicate payments.

As soon as is feasible after the services have been recovered, the Lloyd's brokers are expected to submit for processing to DXC non-cash transactions to enable reporting to Lloyd's of tax and regulatory information.

Upon recovery of services, precedence should be given to processing of any direct settlements which occurred during the disruption. Agreement on how payments should be prioritised will need to be agreed upon by DXC and Brokers.

Lloyd's brokers should retain records of directly settled transactions to enable them to identify and return duplicated payments which may arise when the services are resumed for transactions already submitted to DXC for processing when the outage occurred.

Both Lloyd's brokers and Lloyd's managing agents should be able to identify direct and FCP settlements and prepare reconciliations between their own internal systems and DXC reports to demonstrate the completeness and accuracy of their settlement records and their tax and regulatory reporting to Lloyd's. DXC should provide reports to both the Lloyd's managing agents and Lloyd's brokers to facilitate the reconciliations.

In the event of a prolonged outage, the subsequent backlog may require continued urgent processing even after systems have been recovered, DXC should be mindful of broker and managing agent requests to prioritise urgent work items.

Further work will be done to provide guidance in the event of an outage that exceeds 10 working days.

Lessons learnt

In the event that urgent and direct settlement processes are used due to disruption, once services have recovered, then Lloyd's, DXC, Lloyd's managing agents and Lloyd's brokers may want to consider a lessons learnt exercise to identify any potential changes to their individual internal systems and processes, their shared processes and to this guidance.