

# Market Bulletin

Ref: Y5355

<b>+ Title</b>	Lloyd's Europe – Settlement of claims outside of Xchanging due to processing restrictions
<b>Purpose</b>	To provide guidance on claims settlement when Xchanging may not be used due to processing restrictions
<b>Type</b>	Event
<b>From</b>	Jakob Thyme, COO, Lloyd's Europe
<b>Date</b>	07/12/2021
<b>Deadline</b>	Not applicable – immediate effect
<b>Related links</b>	See below

## Summary

This document provides operational guidance to managing agents on how to settle a Lloyd's Europe claim (Lloyds Insurance Company SA) where Xchanging may not be used due to processing restrictions as described in the relevant market communication (see additional resources).

The procedure ensures to keep a minimum disruption approach by enabling the managing agents to use the current market practice of direct settlement for such claims and adding the mandatory regulatory requirements on Lloyd's Europe behalf.

This bulletin describes the operational process for settling these claims. It does not replace any existing guidance provided or regulatory requirements with regards to what business can be written by Lloyd's Europe. It also does not replace the Lloyd's Claims Scheme with regards to the claims handling process, either for leaders or followers, and focuses on the settlement aspect only.

## Scope

This bulletin is applicable only to Lloyd's Europe New Business, i.e. excluding Part VII. The solution for similar claims under the Part VII transferred portfolio will be described in the Part VII Market Design Document (MDD).

The solution described in this document should be followed only when Xchanging cannot process the claim due to the restrictions described in the market communication 2020 005 (see additional resources). The frequency of these claims is expected to be low.

## Background – Lloyd's Europe Operating Model

The market is reminded that it remains a requirement of Lloyd's Europe that all Lloyd's Europe business is processed via Xchanging with settlement through Lloyd's Central Settlement as described in [LLOYD'S EUROPE: Exclusions and processing requirements update](#)

## Background – Xchanging processing restrictions

Managing agents can refer to the Xchanging Market Documentation 2020 005 at <https://insuranceportal.xchanging.com/> to determine in which cases their services may or may not be used.

## Guidance on claim settlement

### 1. Lead managing agents

Where a notified claim is subject to the processing restrictions of Xchanging, the lead managing agent on the risk contacts Lloyd's Europe by sending an email to Lloyd's Europe General Support mailbox at [LloydsEurope.Info@lloyds.com](mailto:LloydsEurope.Info@lloyds.com) with the below information and accompanying documents:

- Lead Syndicate Number (LIC stamp)
- Method of Placement (MoP) via which the policy has been written:
  - Open Market
  - Binder
  - Bulking Lineslip
  - Non-Bulking Lineslip
  - Placed using a Consortium stamp
  - CH-9000
- For Open Market, the managing agent should provide the UMR.
- For Binders and Bulking Lineslip, managing agent should provide the UMR of the Master agreement.

- For Non-Bulking Lineslip, managing agents should provide the UMR of the Master Non-Bulking Lineslip agreement as well as the UMR of the individual declaration.
- For business written using Consortium stamp, the managing agent should provide the Consortium stamp number and the UMR of the individual risk.
- For business written using CH-9000 contracts, the managing agent should provide the 9000-series stamp number and the UMR of the Coverholder agreement.
- A UCR where applicable should also be provided
- A clear description of the processing restrictions of Xchanging involved in this claim.
- All the relevant claims documents with which they have been able to confirm their coverage position and also the confirmation that this is a valid claim (internal signoff to be provided)

The lead managing agent should inform at this stage, if not already done so, the other participants that this procedure has started as it is the leader's responsibility, under the claim scheme, to raise awareness of a claim and any complexity or steps to agree and settle that claim, to the followers.

The claim and its processing restrictions will be reviewed by Lloyd's Europe. Lloyd's Europe may contact the lead managing agent for additional information or documents when needed.

After review, Lloyd's Europe will notify the lead managing agent and ask to proceed with the settlement of the claim. For that, the lead managing agent is expected to fill in the mutual agreement letter (see Appendix) and return it to [LloydsEurope.Info@lloyds.com](mailto:LloydsEurope.Info@lloyds.com) before proceeding to the payment via direct settlement to the broker as an exception to the PTF.

The lead managing agent can then notify the other participants of the result of the review so that they can also proceed with the direct settlement of their share of the claim.

If multiple payments are required for the same claim, the lead managing agent should inform Lloyd's Europe for each of the subsequent payments stating that this is a subsequent payment and that an original review has already taken place. The managing agent should also provide any additional documents, information on changes to the claim or reasons for the subsequent payment, as necessary. Lloyd's Europe will review the additional information and provide the approval for direct settlement.

## 2. Followers

Followers are expected to settle their shares using direct settlement, as an exception to the PTF, after approval has been granted to the leader by Lloyd's Europe.

They can request any required information and documentation to the leader and/or the broker as they would normally do for the direct settlement of a claim not relating to Lloyd's Europe business.

Followers must also fill in the Mutual Agreement letter (see Appendix) and return it to [LloydsEurope.Info@lloyds.com](mailto:LloydsEurope.Info@lloyds.com).

### **Direct Settlement guidance**

Managing agents, leaders and followers, may want to take the following steps into consideration when using direct settlement:

- The managing agent must comply with the sanctions laws applicable to the bank that they are processing the funds to/from.
- The transaction is to be properly accounted for and may require a manual entry in the managing agent's policy administration system
- The transaction must be registered in the non-XIS return form as per below procedure.

<https://ldc.lloyds.com/market-resources/market-communications/regulatory-communications/compliance-officer-e-alert-archive/ma-table/managing-agent-compliance-officers/regulatory-ealerts/2020/12/non-xis-return-for-2020>

Managing agents are currently not expected to provide financial data related to movements (First Notification of Loss (FNOL), Outstanding, or payments) to Lloyd's Europe. A solution for Lloyd's Europe to access this data via existing reports (e.g. the non-XIS return form) is being explored. Any changes to this approach would be communicated in a subsequent bulletin in due course.

### **Additional Resources**

- [LLOYD'S EUROPE: Exclusions and processing requirements update](#)
- [Xchanging Market Communication 2020 005](#)

### **Contacts**

Please submit all other queries to [LloydsEurope.Info@lloyds.com](mailto:LloydsEurope.Info@lloyds.com)

# Appendix

## Mutual Agreement Letter

Lloyd's Insurance Company S.A.  
Bastion Tower,  
5 Place du Champ de Mars,  
1050 Ixelles,  
Belgium

[Date ]

**Your reference**

**Our reference**

Dear Sir or Madam,

**Re: claim under *[insert details of policy]***

As you are aware, a claim has been made under the above policy [written by] [transferred to] Lloyd's Insurance Company S.A. ("Lloyd's Europe") and reinsured to [insert details of syndicate(s)]. In its capacity of service provider to Lloyd's Europe, [name of MA] has determined that payment under the claim is due.

It is proposed that the monies used to settle the above claim will be paid directly to the broker by Syndicate [xxx] on behalf of Lloyd's Europe. Accordingly, we would be grateful if Lloyd's Europe would countersign this letter below to confirm its agreement and understanding that:

1. Syndicate [xxx] is hereby authorised to make payment of the above claim on Lloyd's Europe's behalf;
2. Such payment will discharge Syndicate [xxx]'s obligation under the relevant QS Reinsurance Agreement to indemnify Lloyd's Europe in respect of its liability under the above policy to the extent the claim relates to.

All necessary steps will be taken by us to ensure that the payment will be processed in due compliance with applicable sanction laws and regulations and that, as soon as the payment has been made to the broker by Syndicate [xxx] on behalf of Lloyd's Europe, Lloyd's Europe will be relieved from any further obligations in respect of the claim under the policy.

Lloyd's Europe will be notified promptly following payment of the claim to the broker as described above. We confirm our understanding that this approach applies on an exceptional basis only due to the particular circumstances of this claim and should not be treated as a precedent for future claims payments in respect of business written by Lloyd's Europe.

Yours sincerely

[name]  
[name of MA]

Agreed and confirmed on behalf of Lloyd's Insurance Company S.A.

.....  
Director

.....  
Director