LLOYD'S

Guidance on the Lloyd's Claims Lead Arrangements

Guidance and additional requirements for managing agents

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Subject to approval by Council

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Introduction

Lloyd's streamlined claims agreement model has been in place, with limited variations, since 1998 and provides the backbone of an efficient and stable claims service supporting our diverse subscription market. The Lloyd's Claims Lead Arrangements' objective is that policyholders should be able to benefit from the diversity and breadth of underwriting expertise that a subscription market provides at placement but that when a claim is made they should have a single decision maker who can determine their claim (and for more complex claims, there should be no more than two managing agents involved). The Claims Lead Arrangements (CLA) therefore gives authority to the managing agent of the leading Lloyd's syndicate to determine all claims. This is supplemented for complex claims, where the managing agent of the second Lloyd's syndicate is jointly responsible with the managing agent of the leading Lloyd's syndicate to determine the claim (unless they agree that it would be more appropriate to reassign the claim as standard).

Lloyd's is responsible for overseeing the operation of the CLA but is not responsible for the handling of individual claims, which is a matter for managing agents.

The CLA is intended to provide a framework by which Lloyd's subscription claims can be determined to ensure:

1. a consistent approach that delivers the best service to the customer in terms of fairness and speed
2. efficient use of managing agent resources
3. adequate protection is afforded to all Lloyd's syndicates on the risk in the way that claims are determined

All in-scope claims are required to follow the current version of the CLA with effect from 1 June 2023 (subject to transitional arrangements for claims on policies involving co-lead binding authority arrangements). The Claims Lead Arrangements were previously named the Lloyd's Claims Scheme (Combined), which included the 2006 and 2010 versions of the Claims Scheme. The current CLA is therefore an amended and renamed version. Any references to the Lloyd's Claims Scheme (Combined) should be treated as references to the current Lloyd's Claims Lead Arrangements. This includes references in clauses in insurance contracts, which specify the Lloyd's claims agreement parties

About this document

This document provides guidance for managing agents on how the CLA operates. In a number of instances, this document provides requirements made pursuant to the terms of the CLA and managing agents must comply with those requirements. For example, this includes the non-financial criteria for assigning claims as complex, which are provided for in the CLA (see, for example, **paragraph 2(d)**) and are prescribed in this guidance.

References to paragraphs which are in bold and square brackets (e.g. [**Paragraph 12**]) are references to the corresponding paragraph in the CLA.

Further information

Further details regarding all aspects of the CLA can be found on Lloyd's website at www.lloyds.com/claimsscheme. Questions in relation to the application of the CLA should be sent to the Claims Team at Lloyd's.

Scope of the Lloyd's Claims Lead Arrangements

What is in scope?

1.1 The CLA applies to all claims made on insurance policies underwritten by two or more Lloyd's syndicates other than where each of the syndicates on the policy is managed by the same managing agent [**Paragraph 1**].

1.2 Claims that are included therefore include claims on open market policies as well as claims on policies written under binding authorities (including co-lead binding authorities), line slips and consortia.

1.3 Claims on policies written by Lloyd's Europe and Lloyd's China are out of scope of the CLA because the policies are written by those companies and not by syndicates. Terms which mirror the CLA, however, have been incorporated into the arrangements between those companies and the managing agents handling their claims so that the principles of the framework are still applicable.

1.4 Where there is more than one policy on a layer of (re)insurance which are written on substantially the same terms through the same Lloyd's broker, the CLA applies to each policy separately. However, the managing agents of the

leading Lloyd's syndicate on each slip shall use their best endeavors to agree a single leading Lloyd's syndicate and second Lloyd's syndicate for the purposes of applying the CLA [**Paragraph 2(b)**]. All other syndicates on the slips (including the other original leading and second Lloyd's syndicates on each slip) become following Lloyd's syndicates. It is recognised, however, that managing agents will not always have details of other insurances on the same layers or the leading and second Lloyd's syndicates. Where this cannot be readily obtained, managing agents are not expected to expend undue time and resource on this.

1.5 **All in-scope claims that have not been fully determined must be handled in compliance with the requirements set out in the current version of the CLA with effect from 1 June 2023. For CLA claims that commenced prior to 1 June 2023, the requirements of the current version of the CLA must be adopted the next time the managing agent of the leading Lloyd's syndicate considers the claim, which is likely to be on receipt of the next claims transaction. Until 1 January 2024, transitional arrangements apply for claims on policies involving co-lead binding authority arrangements, as set out in separate guidance published by Lloyd's.**

Dispensations

1.6 In appropriate cases, Lloyd's may agree to disapply all or part of the CLA by agreeing dispensations. Dispensations may be given in respect of classes of claims or individual claims. Dispensations in relation to individual claims will be dealt with on a case by case basis and will be confirmed to the relevant parties. The following classes of claim have been given a dispensation from compliance with the CLA, either for the lifecycle of the claim or for part of the lifecycle of the claim, as specified:

- **Single Claims Agreement Party (SCAP)**

1.7 The CLA shall not apply where managing agents have agreed on an insurance to adopt the SCAP arrangements for any claims in accordance with the guidelines published by the London Market Group (LMG). This shall be the case as long as the claim continues to meet the conditions for and is handled in accordance with the SCAP arrangements. Where a claim being handled under SCAP is reassigned out of SCAP then the CLA shall apply from that time.

- **Satellite**

1.8 The CLA shall not apply to policies properly assigned to risk code SO, SC, SL SX or ZX.

- **Term Life**

1.9 The CLA shall not apply to policies properly assigned to risk code TL.

Applying for a dispensation

1.10 If a managing agent considers that a dispensation from the CLA or any part of it is required in respect of one or more claims, the managing agent should apply to the Head of Claims at Lloyd's at the earliest opportunity, providing the following information:

- Why is the dispensation being requested?
- Why is compliance with the CLA not possible or not appropriate?
- How will the claim(s) be determined?
- An assessment of the impact of granting the dispensation on the policyholder(s), the broker(s) and any coverholder(s)
- An assessment of whether the dispensation may adversely impact Lloyd's reputation
- (If applicable) evidence of any agreement to the dispensation from other managing agents, the Lloyd's broker or the policyholder

1.11 Lloyd's will consider each application having regard to all the relevant circumstances of the particular claim or class of claim. Agreement to any dispensation will be confirmed in writing and may include conditions.

Receipt and assignment of claims

Obligation on receipt of claims

2.1 On receipt of a claim the managing agent of the leading Lloyd's syndicate has a number of obligations. As a first

action, therefore, any managing agent receiving notification of a claim needs to ascertain that the syndicate it manages is the leading Lloyd's syndicate on the insurance. How to identify the leading Lloyd's syndicate is discussed below at page 7.

2.2 The initial steps required of the managing agent of the leading Lloyd's syndicate are set out in the CLA [**paragraph 2**]. In summary, the CLA provides that the managing agent must:

- Acknowledge receipt of the claim – this will usually be to the broker
- Identify if there are any slips at the same layer on substantially the same terms through the same Lloyd's broker. If there are, then the managing agent should use best endeavours to coordinate with the managing agents of the leading Lloyd's syndicates on those slips to agree a single leading Lloyd's syndicate and second Lloyd's syndicate. The managing agents of those syndicates will act as the claim agreement parties under the CLA on behalf of all the other Lloyd's syndicates on the slips (see also paragraph 2.4 of this guidance above)
- Review the claim information and request evidence of insurance and any claim information as necessary to progress with the claim
- Assign the claim as standard or complex (see further below)
- Inform the following Lloyd's syndicates of receipt of the claim
- Commence determining the claim

2.3 The managing agent should consider whether any Watchlist codes are required or whether the circumstances of the claim requires that a communication to the following syndicates should be issued (see page 12). Lloyd's has published separate guidance on this.

2.4 At an early stage, the managing agent of the leading Lloyd's syndicate must also consider whether, in handling the claim, there is any reason that it cannot act in the best interests of all the syndicates on whose behalf if will act, including by reason of conflict of interest [**Paragraph 9**]. Conflict of interest is dealt with further below (see page 10).

Assigning claims as standard or complex

2.5 The CLA requires that all in-scope claims are assigned as either standard or complex [**Paragraph 1(d)**].

2.6 Where a claim is assigned as standard it is the responsibility of the managing agent of the leading Lloyd's syndicate to determine the claim on behalf of all the Lloyd's syndicates on the slip [**Paragraph 5**].

2.7 Where a claim is classified as complex then determination of the claim on behalf of Lloyd's syndicates is the shared responsibility of the managing agents of the leading and second Lloyd's syndicates [**Paragraph 6**]. It is the responsibility of the managing agent of the leading Lloyd's syndicate to communicate to the following Lloyd's syndicates whether the claim is standard or complex and this is done for ECF claims by using the Triage Category field.

2.8 The CLA sets both financial and non-financial criteria for assigning claims as standard or complex. All claims must be treated as standard unless the claim meets at least one of the financial or non-financial criteria for assignment as complex. The financial criteria can be found at **paragraph 2(d)** and **Schedule 2** of the CLA. The non-financial criteria are provided for by the CLA and prescribed in this document (and therefore are mandatory criteria), see page 6.

2.9 Where, following receipt of a claim, the managing agent of the leading Lloyd's syndicate concludes that a claim meets one of the criteria to be assigned as complex it must promptly notify that to the managing agent of the second Lloyd's syndicate and provide the claim information which it has received [**Paragraph 2(e)**]. As to how to identify the second Lloyd's syndicate, see page 7.

2.10 Note that, even where the claim is assigned as complex, the leading and second Lloyd's syndicates have an obligation to consider whether, notwithstanding that the claim meets the criteria for being assigned as complex, it would be appropriate in all the circumstances to reassign the claim as standard [**Paragraph 4**] (see further below).

Financial Criteria

2.11 The financial criteria depend on whether the insurance (or the relevant section) is first party, third party or non-proportional treaty reinsurance. Managing agents should refer to **Schedule 2** of the CLA, which sets out the risk codes that fall within each of these three categories.

2.12 Where the amount being claimed (or likely to be claimed) under the policy from Lloyd's syndicates is equal to or more than the relevant financial threshold then the claim must initially be assigned as complex:

First Party:	open market, binders and fac RI	£2,000,000 or currency equivalent
Third Party:	open market, binders and fac RI	£1,000,000 or currency equivalent
Non-Proportional Treaty Reinsurance:		£ 5,000,000 or currency equivalent

2.13 The relevant figure for whether a claim meets the financial threshold is the amount the policyholder claims or is likely to claim, whichever is higher (and for third party business, this may be the amount the third party is claiming). The amount being claimed will usually be the amount the broker notifies to Lloyd's underwriters as being claimed. The claim for these purposes is the amount being claimed from Lloyd's syndicates and not the amount being claimed from all the insurers that wrote the insurance.

2.14 There is no financial threshold for proportional treaty reinsurance and these should be assigned as standard. Separate processes apply to the recovery of proportional treaty reinsurance, which is usually through the submission of bordereaux.

Amount likely to be claimed

2.15 Particularly at the early stages in the lifecycle of a claim, the policyholder or its broker may notify a claim but will not notify the amount of the claim. In this case, the managing agent of the leading Lloyd's syndicate must determine the amount that it believes is 'likely to be claimed' [**Paragraph 2(d)**]. If the amount that is likely to be claimed is equal to or more than the applicable financial threshold, then the claim should be assigned as complex. In practice, this means the managing agent should consider whether, in its reasonable view, there is more than a 50% chance that the amount that may be claimed will be more than the applicable financial threshold.

2.16 In situations where the insured or its broker submits a claim and specifies an amount that the managing agent believes is below the amount that is likely to be claimed in due course, the managing agent should use the amount it believes is likely to be claimed.

2.17 **Note that in assigning claims, managing agents should only consider the amount claimed (or likely to be claimed) by the insured or its broker (or by the third party on third party risks). The managing agent's own view as to the actual amount that underwriters will likely have to pay in respect of the claim or its view of the amount that should be recorded when setting syndicate reserves may be different and is not relevant.**

Currency

2.18 For non-Sterling claims, the amount of the claim will need to be converted to Sterling to determine if the financial threshold is met. Managing agents may adopt any reasonable, published reference source for currency exchange rates. In some cases, the amount claimed for a non-Sterling claim may be close to the applicable financial criteria threshold and whether it is above or below the threshold will be affected by currency exchange fluctuations. In that case the managing agent should adopt the rate of exchange it applied at the date of the assignment of the claim. Thereafter, when assessing the amount of the claim, managing agents should continue to use the same exchange rate as originally adopted. Managing agents are not required to and should avoid repeated reassignment of claims merely by reason of currency fluctuations.

Non-financial criteria

2.19 Even if a claim falls below the relevant financial thresholds set out above, a claim nevertheless must initially be assigned as complex if any one or more of the following applies. These criteria are prescribed by Lloyd's in accordance with **paragraph 2(d)** and are mandatory:

- **Dispute Resolution Proceedings (DISP):** There are actual or pending (or are likely to be) dispute resolution proceedings between the policyholder and the participating Lloyd's syndicates in relation to the claim. This will include (but is not limited to) any dispute resolution proceedings involving contested denials, disputes as to quantum, claims by the participating Lloyd's syndicates to avoid the insurance. Dispute resolution proceedings for these purposes may be before any court, arbitration tribunal or financial ombudsman (or equivalent in the local jurisdiction). It includes proceedings against the insured that also names insurers as a party.

- **Claims for extra contractual damages or excess of policy limits claims (ECON):** The claim includes demands for extra contractual damages (including punitive damages) or damages in excess of policy limits (including allegations of bad faith).

- **Regulatory breach or investigation (REGU):** There are allegations of potential breach(es) of regulation made against the participating Lloyd's syndicates or there is a notification by a body asserting regulatory authority of an intention to conduct an investigation of the managing agents of the participating Lloyd's syndicates in relation to matters connected with the claim.

Keeping claims under review and reassigning - dynamic triage

2.20 The managing agent of the leading Lloyd's syndicate and, on complex claims, the managing agent of the second Lloyd's syndicate must keep the assignment of a claim under review throughout the full lifecycle of the claim.

2.21 Where a claim ceases to meet the requirements to be standard it must be reassigned as complex for determination by the managing agents of the leading and second Lloyd's syndicates [**Paragraph 3**] (but see further below). Where a claim ceases to meet the requirements to be complex it must be (re)assigned as standard for determination solely by the managing agent of the leading Lloyd's syndicate on behalf of the following market [**Paragraph 4**].

Claims (re)assigned as complex

2.22 In the case of a claim assigned or reassigned as complex, before proceeding to determine the claim, the managing agents of the leading and second Lloyd's syndicates must first jointly consider whether in their view the claim can appropriately be reassigned to standard having regard to all the circumstances [**Paragraph 4**]. Where it can be, it must be reassigned as standard. This decision and its reasons should be recorded in the private comments of the corresponding sequence of ECF.

2.23 The most significant factor that managing agents should consider when exercising their discretion to (re)assign a complex claim as standard is whether the second lead will add value to the determination of the claim at the present stage of the claim's lifecycle, due for example to the complexity of the issues that need to be resolved. Managing agents should not maintain the assignment of claims as complex unless it can reasonably be concluded that having the managing agent of the second Lloyd's syndicate as a claims agreement party will add value to the determination of the claim (or to that stage in the claim's lifecycle).

2.24 In exceptional circumstances it may be appropriate to assign a claim as standard to reduce the number of individuals that will have access to all details of the claim, to maintain confidentiality or the safety of the insured. This may be the case, for example, in kidnap and ransom claims. Where confidentiality concerns can be addressed by, for example, non-disclosure agreements, then the assignment of the claim should follow the approach set out in this document.

2.25 Once the managing agents of the leading and second Lloyd's syndicates have decided that a claim that meets the criteria for assigning as complex should be reassigned as standard, the managing agent of the leading Lloyd's syndicate will be solely responsible for determining the claim but must keep the claim under review and if the original reasons for reassigning the claim as standard no longer apply or there is a new reason for reassigning the claim as complex then the claim must be reassigned as complex [**Paragraph 4**]. In cases of doubt, the managing agent of the leading Lloyd's syndicate may wish to discuss the claim with the managing agent of the second Lloyd's syndicate and may take this into account when deciding whether to reassign back to complex. This decision should be reflected in the private comments of the corresponding ECF sequence. The managing agents of the leading and second Lloyd's syndicates should thereafter continue to keep under review whether the claim can be reassigned as standard.

Responsibility of the managing agents of the leading and second Lloyd's syndicates

3.1 The managing agent of the leading Lloyd's syndicate and, on complex claims, the managing agent of the second Lloyd's syndicate are responsible for determining in-scope claims on behalf of themselves and the following Lloyd's syndicates [**paragraphs 5 & 6**]. Determining claims is the term used in the CLA (and in other Lloyd's requirements) for handling claims and is defined in **Schedule 1: Definitions**.

Identifying the leading and second Lloyd's syndicates

3.2 On receipt of a new claim, the leading Lloyd's syndicate will need to be identified. When a claim is assigned as complex the second Lloyd's syndicate additionally needs to be identified. It is the managing agents of these syndicates that are responsible for determining the claim. The leading and second Lloyd's syndicates are identified as follows:

- In most cases (in line with good practice), the slip will include a section that identifies the claims agreement parties and will specify, for the purposes of the CLA, the syndicate that is the leading Lloyd's syndicate and, for complex claims, the second Lloyd's syndicate. Where the policy has more than one section, there may be different leading and second Lloyd's syndicates specified for each section. Exactly which of the participating syndicates are selected to be the leading and second Lloyd's syndicates is a matter of agreement between the parties.

- If the policy does not specify which are the leading and second Lloyd's syndicates for the purposes of the CLA then, when the risk (or the relevant section of the risk) shows the subscribing insurers in the order that they committed their line, the leading and second Lloyd's syndicates are the first and second respectively in slip order (for the relevant section, where applicable).

- If the slip does not show the subscribing insurers in the order that they committed their lines, then the leading Lloyd's syndicate and second Lloyd's syndicate respectively are the syndicates with the largest and second largest share of the risk. [**Schedule 1: Definitions – definition of 'leading Lloyd's syndicate' and 'second Lloyd's syndicate'**]. Where two or more syndicates have the equal largest share then the leading Lloyd's syndicates shall be the first of those syndicates listed in the slip and the second Lloyd's syndicate shall be the second of those syndicates listed in the slip (in whichever way the syndicates are listed). Similarly, if there is only one syndicate with the largest share of the insurance (which will become the leading Lloyd's syndicate) and two or more with the second largest share then the second Lloyd's syndicate shall be the first of those syndicates with equal second largest share listed in the slip.

3.3 The leading and second Lloyd's syndicate should be agreed at the time of placement wherever possible and steps 2 and 3 will only apply where that is not the case. Where the leading and second Lloyd's syndicate are not agreed at placement then they can still be agreed between the parties at any point thereafter.

3.4 Where, as a result of applying steps 2 and 3 the managing agent of the leading Lloyd's syndicate identified is not the managing agent that negotiated the terms of the insurance then the managing agent of the leading Lloyd's syndicate identified should, unless it reasonably believes there is a good reason not to, make reasonable efforts to have the syndicate managed by the managing agent that negotiated the insurance endorsed as the leading Lloyd's syndicate.

3.5 It can sometimes arise that the managing agent of the leading Lloyd's syndicate and the second Lloyd's syndicate are the same managing agent. It is acceptable for the managing agent to act in both roles where each syndicate is independently managed and has separate, independent claims teams (for example where one or both of the syndicates is managed by the managing agent under a third party syndicate management arrangement). Where, however, claims for both syndicates are managed by the same claims team (as may be the case for RITC syndicates where the claim arrangements for a number of different syndicate years of account of different syndicates which closed into the RITC syndicate have been consolidated), then the managing agent of the next syndicate in order should act as the second claims agreement party.

More than one slip on the same layer

3.6 On some placements there may be several slips within the same layer that are written on substantially the same terms through the same broker. Applying the principles set out above, each slip will have its own leading and second Lloyd's syndicate. In these cases, however, the managing agents of each of the leading Lloyd's syndicates on each slip should to use their best endeavours to agree between themselves which syndicates shall be the leading and (for complex claims) second Lloyd's syndicate for the layer on the claim [**Paragraph 2(b)**] (see also paragraph 2.4 of this guidance above).

3.7 A managing agent may only act (or agree to act) on behalf of other Lloyd's syndicates participating on different slips on the same layer if it is provided with a copy of the terms of the other insurances.

3.8 As noted above, it is recognised that managing agents will not always have details of other insurances on the same layers or the leading and second Lloyd's syndicates. Where this cannot be readily obtained, managing agents are not expected to expend undue time and resource on this.

Delegated Authorities: Consortia, Binding Authorities, Line Slips

3.9 The CLA applies to insurances written under contracts of delegated authority, including consortia, binding authorities and lines slips in the same way as it applies to open market policies. When identifying the leading and/or second

Lloyd's syndicate, additional considerations may apply.

- When a claim arises on a risk that is written 100% to the consortium, binding authority or line slip, then the consortium agreement, binding authority agreement, line slip agreement should specify who the leading and second Lloyd's syndicate are for the purposes of applying the CLA.

- When the consortium, binding authority or line slip has participated on an open market subscription placement then, in the first instance, the relevant open market slip should specify which syndicates on the placement shall be the leading and second Lloyd's syndicate. This may include the leading Lloyd's syndicate on the participating delegated authority arrangement. If the slip does not specify the claims agreement parties then the principles set out above apply to identify the leading and second Lloyd's syndicates, except that the following syndicates on the consortium agreement, binding authority agreement or line slip agreement should be ignored for these purposes. Only the leading Lloyd's syndicate on the arrangement (ie the syndicate managed by the consortium manager, the binding authority lead syndicate or the line slip lead syndicate) can be the leading or second Lloyd's syndicate.

  For example, if a binding authority, which has three participating syndicates, subscribes to an open market placement and the coverholder puts the binding authority's line down first on the slip, then (if the policy does not specify the Lloyd's claims agreement parties) the leading Lloyd's syndicate on the binding authority will be the leading Lloyd's syndicate acting on behalf of all the syndicates in any claim, not merely the other syndicates on the binding authority. The other syndicates on the binding authority, however, cannot be one of the claims agreement parties and instead the next syndicate on the slip that is not participating through the binding authority will be the second Lloyd's syndicate.

3.10 Delegated authority contracts will often include provisions that govern how claims will be handled as between the participants on the delegated authority. For consortia, this may include delegating authority to the managing agent acting as consortium manager. For binding authorities, this may include delegating authority to the coverholder or a delegated claims administrator (DCA). In each case there may be limits specified on the claims handling authority. As the CLA continues to apply to claims made on policies issued under contracts of delegated authority, the parties should ensure that nothing in the consortium agreement, binding authority agreement or line slip agreement conflicts with the CLA. This is particularly important to avoid confusion on claims where the consortium, binding authority or line slip has put down a line on an open market placement and therefore the leading Lloyd's syndicate could have obligations both to the following market under the delegated authority and to the following market on the open market risk if it is a claim agreement party.

3.11 Where the party with delegated authority sub-delegates, for example by participating on another binding authority, the syndicates participating on the delegated arrangement will be bound by any claims handling arrangements that apply to the party it has sub-delegated to. (Note, however, that Lloyd's applies strict requirements limiting sub-delegation – see the Intermediaries Byelaw and the Requirements made pursuant to that byelaw, available on Lloyds.com.)

Co-lead binding authorities

3.12 Co-lead binding authorities are arrangements where a coverholder binds a risk or policy using authority given to it under two or more binding authority agreements. The participating syndicates on each binding authority will therefore each take a share of the risk. The policy will generally not specify who the claims agreement parties are and the participating syndicates will not be listed in order of their participation on the risk.

3.13 If a coverholder intends that a binding authority will be used as capacity together with other binding authorities, managing agents should engage with the brokers to agree the leading and second Lloyd's syndicates, or the mechanism for identifying them, for the purposes of the CLA and document this agreement in a co-lead claims agreement (CLCA). The managing agent of the agreed leading Lloyd's syndicate and, on complex claims, the managing agent of the second Lloyd's syndicate will act as the claims agreement parties in accordance with the CLA for any claims on the policy. The CLCA should be compatible with the CLA and any additional guidance provided by Lloyd's.

3.14 Where managing agents have not agreed the leading and/or second Lloyd's syndicates, or the mechanism for identifying them before a claim is notified then Lloyd's requires [**Schedule 1: Definitions - definitions of leading Lloyd's syndicate and second Lloyd's syndicate**] that pending this agreement, the following default provisions will apply:

- The leading and second Lloyd's syndicates will be, respectively, the leading Lloyd's syndicate of the binding authority with the largest share of the risk and the leading Lloyd's syndicate of the binding authority with the second largest share of the risk.

- If there are two binding authorities with equal shares of the risk then the leading Lloyd's syndicate of whichever of those binding authorities that appears first in the insurance documentation issued to the policyholder will be the leading Lloyd's syndicate and the leading Lloyd's syndicate of whichever of those binding authorities that appears second in the insurance documentation will be the second Lloyd's syndicate .

3.15 Notwithstanding the default rule, it always remains open at any time for the managing agents of the leading Lloyd's syndicate on each binding authority to agree which syndicates shall be designated as the leading Lloyd's syndicate and second Lloyd's syndicate in respect of a claim. In such a case they should inform the broker of their decision and document the decision in a CLCA.

3.16 Lloyd's has published separately more detailed guidance on the determination of claims on insurances written under co-lead binding authority arrangements.

Claims handling

3.17 Once the leading Lloyd's syndicate is identified, on standard claims the managing agent of that syndicate is responsible for determining the claim on behalf of its own syndicate (ie the leading Lloyd's syndicate) and on behalf of all following Lloyd's syndicates on the insurance [**Paragraph 5**]. For complex claims, it is the responsibility of the managing agents of both the leading Lloyd's syndicate and the second Lloyd's syndicate, acting in agreement to determine the claim [**Paragraph 6**]. Each of the managing agents in this case acts on behalf of its own syndicate and the following syndicates [**Paragraph 7**].

3.18 For these purposes, 'determining' claims is broadly defined and means: all claims handling activities necessary in order to (i) accept or deny a CLA claim, in whole or in part; (ii) agree any amount payable and (iii) resolve finally any open matter by agreement or, if necessary, dispute resolution proceedings. [**Schedule 1: Definitions – definition of 'determination/determine'**]. This includes pursuing any rights of subrogation the participating syndicates may have.

3.19 In determining claims, the managing agent of the leading Lloyd's syndicate [**Paragraph 5**] and, for complex claims, both of the managing agents of the leading and second Lloyd's syndicate [**Paragraph 7**], are required to exercise the reasonable care of a reasonably competent managing agent. The liability of these managing agents is subject to the provisions and limits of liability set out in **paragraphs 27 to 32**.

- Financial Crime Checks

3.20 The managing agent of the leading Lloyd's syndicate should conduct such financial crime checks (including Anti-Money Laundering/anti-corruption/sanctions checks) as are required by its internal policies. With respect to sanctions checks, the managing agent should comply with the requirements set out in 'Lloyd's International Regulatory Affairs' Financial Crime Guidance for Claims'. If the results of such checks reveal potential exposure of (re)insurers to any sanction, prohibition or restriction e.g. by identifying a potential sanctions issue, in order to allow followers to perform further checks on claims, the managing agent should promptly provide the managing agents of the following syndicates with such information as they require to perform those checks in sufficient time before the claim is agreed/paid (and should refrain from agreeing claims on behalf of those syndicates until they have indicated to the managing agent of the leading Lloyd's syndicate that they are in a position for that managing agent to do so). The managing agent of the leading Lloyd's syndicate shall allow a reasonable period of time in which the followers may conduct such checks as they deem appropriate and shall liaise with the followers regarding the results of any sanctions checks prior to approving payment of a claim.

- Ex gratia, commutations, recission

3.21 The managing agent of the leading and (for complex claims) the second Lloyd's syndicate must not agree to ex gratia settlements, commutation (including buy-backs) or any recission of the insurance (other than where provided for by the terms of the insurance) without obtaining the prior agreement of the following Lloyd's syndicates on the placement [**Paragraph 17**].

Assignment of claims

3.22 The managing agent(s) determining the claim must keep under review the assignment of the claim throughout the lifecycle of the claim. This should be considered at each claims transaction. The guidance on (re)assigning claims is set out above.

Conflict of Interest

3.23 Managing agent(s), where they are determining claims on behalf of following Lloyd's syndicates must act in the best interests of all the syndicates on whose behalf they act [**Paragraph 9**]. It is for the managing agent(s) that are determining the claim to assess whether there are any reasons that may impact their ability to comply with this requirement. If a managing agent concludes that it cannot act, then it must notify the other managing agents of the syndicates underwriting the insurance. Managing agents of leading or second Lloyd's syndicates are expected to inform the other managing agents of syndicates on the insurance of any potential conflict of interest that those other managing agents may reasonably wish to be made aware.

3.24. Where the managing agent of the leading Lloyd's syndicate is required to step aside, the second Lloyd's syndicate becomes the leading Lloyd's syndicate for the purposes of the CLA and the managing agent of that syndicate takes over from the managing agent of the leading Lloyd's syndicate. If the managing agent of the second Lloyd's syndicate is required to step aside or has to take over from the managing agent of the leading Lloyd's syndicate, the next syndicate in line shall be identified using the same approach set out above for identifying the leading and second Lloyd's syndicate. The managing agent of the next following Lloyd's syndicate identified in this way shall take the place of the managing agent of the second Lloyd's syndicate [**Paragraph 9**].

3.25 Managing agents can sometimes face difficult decisions as to whether they can properly act for the following market. As a result, disagreements can arise as to whether a managing agent should have authority under the CLA to determine claims. In such a case, Lloyd's has prescribed the following requirements as provided for by **paragraph 9** of CLA.

- If a disagreement arises between managing agents as to whether the managing agent of the leading Lloyd's syndicate or, on a complex claim, the managing agent of the second Lloyd's syndicate can act as a claims agreement party on behalf of the following syndicates in compliance with **paragraph 9**, then the disagreement shall first be referred to senior representatives of the managing agents involved in the disagreement who shall meet in a good faith effort to resolve the disagreement. If resolution is not achieved within 14 days from the date the disagreement was referred to these individuals, the matter shall be escalated to a board member responsible for claims at each managing agent who shall attempt to resolve the matter.

- If the disagreement is not resolved following compliance with step 1, the disagreement shall be referred to Lloyd's and Lloyd's may, at its discretion, appoint King's Counsel to give an opinion on the matter in dispute. Any managing agent of a syndicate that underwrote the insurance that wishes to shall, either individually or jointly with other managing agents, be entitled to make written representations to the King's Counsel in accordance with such directions as Lloyd's may make. Lloyd's, in its discretion, may also provide for the managing agents to make oral representations to the King's Counsel. All managing agents of syndicates that underwrote the insurance shall be entitled to see all written material provided to or by the King's Counsel and to attend at any oral representations. The King's Counsel shall promptly, on the basis of the information provided and representations made, issue an opinion on the matter in dispute which shall include an opinion as to whether the managing agent subject to the dispute should remain as a claims agreement party. The costs of the King's Counsel will be borne, unless otherwise agreed, equally by the managing agents whose position the King's Counsel disagreed with.

- If the opinion of King's Counsel is not accepted by the managing agents whose position the King's Counsel disagreed with, then Lloyd's may make such directions for the future determination of the claim, in accordance with the CLA as it considers appropriate (which may include directing that a managing agent shall cease acting as a claims agreement party or that the CLA shall not apply to the claim). While Lloyd's shall take into account the opinion of the King's Counsel, it shall not be required to follow any particular course of action advised by the King's Counsel.

3.26 Where considerations of a potential conflict of interest arise in relation to a following Lloyd's syndicate as a result of which it may not be appropriate for the managing agent of that syndicate to receive information relating to the claim from the managing agent(s) that are determining the claim, Lloyd's will, on an application, consider giving a dispensation to disapply the application of the CLA for that syndicate in respect of that claim.

Delegation of the determination of claims

3.27 In determining claims, the managing agent of the leading Lloyd's syndicate and additionally, on complex claims, the managing agent of the second Lloyds syndicate may delegate their role in the determination of the claim to third parties [**Paragraph 10**]. Note that each of the managing agents may delegate authority to the same or to different third parties. If different third parties are appointed, they would be expected to liaise with each other in the handling of the claim, just as the managing agents themselves are expected to do.

3.28 Any delegation of authority to determine claims must be compliant with Lloyd's requirements for delegation, which are primarily set out in paragraphs 4A & 4B of the Intermediaries Byelaw and the related Requirements made pursuant to the Intermediaries Byelaw (available on Lloyds.com). This includes any delegation to a Delegated Claims Administrator (DCA). The delegation of authority must be properly documented and must also be notified to the managing agents of the following syndicates and any broker. The identity of the third party must be notified as soon as practicable to the following syndicates [**Paragraph 19(d)**].

3.29 As a practical consideration, where a managing agent appoints a DCA to deal with the determination of claims, the DCA will usually have its authority limited to claims up to a specified claim amount. The managing agent needs to consider whether different limits of authority need to apply where the DCA is only handling the claim on behalf of the participants on a delegated authority arrangement (such as a binding authority) as compared to where it has delegated authority to handle claims on behalf of all the Lloyd's syndicate on an open market placement. In the latter case the limit of the DCA's authority may be expressed as a per claim limit rather than a per binding authority limit.

Appointment of professional advisers

3.30 Expert, third party professional advice is often required to assist with the determination of the claim. This could involve professionals such as loss adjusters, accountants, engineers, other consultants and lawyers. The managing agent of the leading Lloyd's syndicate has the sole responsibility for appointing professional advisers [**Paragraphs 11 & 12**]. On complex claims, however, the managing agent of the leading Lloyd's syndicate must first give reasonable prior notice of any appointment to the managing agent of the second Lloyd's syndicate, which may question or object to the appointment. The managing agent of the leading Lloyd's syndicate must take account of any comments or objections from the managing agent of the second Lloyd's syndicate. It is preferable in all cases to have an agreed appointment. Accordingly, where there is any disagreement on the appointment of an adviser, the leading Lloyd's syndicate must endeavour to resolve the disagreement, which may mean appointing a different professional adviser that is more acceptable to the other managing agent. If agreement cannot be reached, then the final decision on who to appoint rests with the managing agent of the leading Lloyd's syndicate.

3.31 In some circumstances, it is not practical for the managing agent of the leading Lloyd's syndicate to prior consult with the managing agent of the second Lloyd's syndicate. The managing agent of the leading Lloyd's syndicate on a complex claim may proceed with the appointment on behalf of both managing agents, without first giving notice to the managing agent of the second Lloyd's syndicate where **[Paragraph 12]**:

- In the considered view of the managing agent the appointment of the professional adviser is essential to protect the position of the participating syndicates. Such a scenario may arise where any delay to the appointment, while the managing agent consults with the managing agent of the second Lloyd's syndicate, could prejudice the participating syndicates. For example, if there is an urgent need to appoint an adjuster to inspect damaged property, this can be done without first consulting. There is also no need to consult where the proposed professional adviser has a particular expertise, which makes it essential that that adviser is appointed.

- Despite best endeavours, the managing agent has not succeeded in obtaining a response from the managing agent of the second Lloyd's syndicate. Generally, given the ease of modern communication, there should be few cases where it is not possible for the managing agent of the leading Lloyd's syndicate to contact the managing agent of the second Lloyd's syndicate.

3.32 Professional advisers must be provided with the identity of the managing agents of all the syndicates participating on the insurance. They should also be provided with evidence of the insurance and the references which identify the claim [**Paragraph 13**]. The expert must be informed which managing agent(s) are claims agreement parties, to whom any reports should be sent and how fees will be collected.

3.33 When appointing professional advisers, it is important that managing agents retain control and oversight of the experts. To evidence this, the managing agent of the leading Lloyd's syndicate must ensure the claim file records the rationale for the instruction and reason for appointing this professional adviser. The file should also record the scope of the instruction and how the appointment will be controlled (including cost budgets at an early stage), as well

as having evidence of review of compliance with the scope of the instruction as well as close monitoring of costs within budget and standing experts down when they are no longer required.

- ### Agreement of fees

3.34 On standard claims, the managing agent of the leading Lloyd's syndicate is solely responsible for agreeing the fees of professional advisers [**Paragraph 15**], for which the following syndicates are required to pay their share. On complex claims, professional adviser's fees shall be agreed by the managing agents of the leading Lloyd's syndicate and the second Lloyd's syndicate [**Paragraph 14**].

Communication

3.35 Following syndicates do not require the same level of information that is provided to the managing agent of the leading and (for complex claims) the second Lloyd's syndicate, which have the day to day responsibility for determining claims. Nevertheless, it is important that the managing agent(s) determining the claim do provide an appropriate level of information.

3.36 The CLA makes specific requirements for the provision of the following information to the following syndicates:

- At the commencement of the claim, the managing agent of the leading Lloyd's syndicate must take appropriate steps to inform the managing agents of the following Lloyd's syndicates of the receipt of a CLA claim [**Paragraph 2(f)**]
- The managing agent of the leading Lloyd's syndicate must make available to the following Lloyd's syndicates any reports produced by a professional adviser appointed in connection with a complex claim [**Paragraph 14**]
- Professional advisers appointed in respect of complex claims must be instructed to send a copy of all reports to the managing agent of any following Lloyd's syndicate that may so request at the same time as the report is sent to the managing agents of the leading and second Lloyd's syndicates. In the case of pleadings and other documents served in the course of the dispute resolution proceedings, these should, if at all possible, be sent prior to service [**Paragraph 14**]. In all cases, both for standard and complex claims, all pleadings and the documents relating to dispute resolution proceedings must be made available to the following syndicates [**Paragraph 19(c)**]. (Dispute resolution proceedings under the CLA means proceedings commenced against the members of the syndicates who underwrote the insurance (which includes proceedings against the policyholder or other insureds, where the members of syndicates are also named as party to the proceedings))
- For both standard and complex claims, the following information must be provided to following syndicates as soon as practicable [**Paragraphs 18 & 19**]:

  Any recommended reserve or reserves and any revision to the same.

  The receipt of notice of any commencement of dispute resolution proceedings. The following syndicates must also be notified of the intention to commence any dispute resolutions proceedings.

  The identity of any person to whom the managing agent of the leading Lloyd's syndicate or, on complex claims, the managing agent of the second Lloyd's syndicate has delegated authority to determine claims.

  The commencement of any court, arbitration or equivalent proceedings against a person pursuant to rights of subrogation.

3.37 In addition, the managing agent of the leading Lloyd's syndicate should ensure that the information captured in the market's central claims system as standard and provided to followers is kept complete and accurate, including any appropriate commentary.

3.38 Lloyd's has also published separate guidance on circumstances where the managing agent of the leading Lloyd's syndicate should identify certain characteristics of claims through the use of Watchlist codes or provide more information than can be captured within the central claims system. For claims notified under binding authorities this may require the managing agent of the leading Lloyd's syndicate to ensure that a separate claim entry is created for a claim that would otherwise be only captured within a bordereau.

3.39 The managing agent of the leading Lloyd's syndicate should also make available to followers information about financial crime law/regulation (including Anti-Money Laundering/anti-corruption/sanctions) applicable to the claim under consideration (to the extent permissible in accordance with such law/regulation) and how it plans to address such law/regulation. Should the managing agents of any following Lloyd's syndicate consider that the managing agent of the leading Lloyd's syndicate's plan to address such financial crime legislation are not aligned to their financial crime risk appetite, the managing agents of any following Lloyd's syndicate should ensure that any additional financial crime checks (including Anti-Money Laundering / anti-corruption / sanctions checks) they wish to perform are conducted in a timely manner (via the broker, if required).

3.40 Managing agents of following Lloyd's syndicates may additionally request and the managing agent of the leading

Lloyd's syndicate, and on complex claims, the managing agent of the second Lloyd's syndicate shall provide such further information as the managing agent of the following syndicate may reasonably require [**Paragraph 18 & 19**]. Where the managing agent(s) determining the claim receive a request for information from the managing agent of a following syndicate, they should consider whether the information provided in response should also be provided to all the other following syndicates.

3.41 Where appropriate the managing agent of the leading Lloyd's syndicate should organize a meeting for all managing agents to explain and discuss the claim strategy.

Resolving disagreements

3.42 Differences and disagreements will arise from time to time between the managing agent(s) determining the claim and the following syndicates. Disagreements may also arise on complex claims between the managing agent of the leading Lloyd's syndicate and the managing agent of the second Lloyd's syndicate. The CLA prescribes the processes that managing agents must follow to seek to resolve any disagreement. Reference should be made to the CLA for further details, but in summary, the requirements are:

- Disagreements between managing agents of the leading and second Lloyd's syndicate on complex claims

3.43 In any disagreement as to how to determine a complex claim between the managing agents of the leading and second Lloyd's syndicate, the managing agents must confer and use their best endeavours to resolve any differences and proceed with agreed next steps [**Paragraph 20**]. Where the disagreement relates to the content of a leader communication, the managing agent of the second Lloyd's syndicate may issue a separate communication to all following syndicates, noting that there is a disagreement with the managing agent of the leading Lloyd's syndicate.

3.44 If any disagreement cannot be resolved, the managing agent of the leading Lloyd's syndicate shall convene a market meeting and invite all the other managing agents of syndicates that underwrote the insurance [**Paragraph 21(a)**]. The procedures for conducting the market meeting are set out in **paragraph 22**.

- Disagreements involving the managing agent(s) of following syndicates

3.45 If a managing agent of a following syndicate has concerns with the way that a claim is being determined then the managing agent should, in the first instance, seek to discuss the matter informally with the managing agent of the leading Lloyd's syndicate and/or, in the case of a complex claim, the managing agent of the second Lloyd's syndicate.

3.46 The managing agent(s) of one or more following Lloyd's syndicates may request at any time a market meeting provided that the following syndicates in question have underwritten in the aggregate at least 50% of the Lloyd's share of the insurance [**Paragraph 21(b)**]. It is the responsibility of the managing agent of the leading Lloyd's syndicate to convene the meeting.

3.47 If any disagreement between managing agents remains unresolved, the CLA sets out the procedure that must be followed before any legal dispute resolution procedure is commenced [**Paragraph 25**]. The limits of liability that apply to the managing agents of leading and second Lloyd's syndicates in respect of their determination of claims is prescribed in **paragraphs 28 to 32**.