



Lloyd's Claims Lead Arrangements

Summary

December 2024

Executive Summary

The Lloyd's Claims Lead Arrangements (LCLA) set out the provisions for the determination of the Lloyd's share of every claim made on a policy underwritten by two or more Lloyd's syndicates.

1 Under Lloyd's Byelaws, the LCLA (formerly Lloyd's Claims Scheme) applies to all Lloyd's in scope policies unless Lloyd's dispensation has been obtained

2 The lead syndicate, plus second lead if the claim is "complex", has authority under the LCLA to make all decisions to determine the claim on behalf of all subscribing Lloyd's syndicates except ex gratia, rescission and commutation

3 The lead triages a claim as "complex" if it meets the financial (£1m/£2m/£5m) or non-financial criteria and keeps the claim under review throughout its life, re-triaging the claim as standard if the criteria cease to apply or the second lead agrees its involvement is not required

4 The lead and second lead's authority extends to all syndicates subscribing to the policy, even if the policy was written under multiple underwriting vehicles, eg open market slip, line slip and/or multiple binders

5 Lloyd's lead and second lead should be identified in the slip(s). For policies written under multiple binders, the Lloyd's lead and second lead, or the method for identifying them, should be agreed and documented in a Co-Lead Claims Agreement, or they will be determined by default rules



Scope of the Lloyd's Claims Lead Arrangements (LCLA)

The Lloyd's Claims Lead Arrangements apply to all in scope risks. If follow syndicates on these risks do not wish to be bound by Lloyd's lead(s), they need to apply to Lloyd's for dispensation from the LCLA.

Except for satellite and term life classes, the LCLA applies to ALL claims notified to risks (ie insurance policies) written by more than one syndicate*, regardless how they were written, including claims under:

- ❖ (Re-)insurance policies
- ❖ One or more binding authorities
- ❖ Line slips
- ❖ Consortia

* Unless the syndicates are managed by the same managing agent

Note: Claims are subject to the LCLA regardless of how they handled, eg via **ECF** or 'paper' (email)

- ❖ **Lloyd's Europe (LIC) and Lloyd's China (LICCL) :** the LCLA does not directly apply to policies written by or on behalf of LICCL or LIC, as these carriers are not Lloyd's syndicates. **BUT**, under arrangements with managing agents, the LCLA rules do apply where LICCL or LIC risks are ceded to or written on their behalf by more than one syndicate.

Single Claims Agreement Party (SCAP)

SCAP is an optional clause for use by Lloyd's and non-Lloyd's carriers. It provides claims authority to the non-Lloyd's lead for Lloyd's carriers, or vice versa. Claims notified to a policy containing SCAP should be handled in accordance with those provisions. If the claim falls outside of the authority of the SCAP Lead, and the policy is written by more than one syndicate*, the LCLA provisions apply to the handling of the syndicates' share of the claim and the Lloyd's Lead becomes Claims Agreement Party for the syndicates (with the second lead if a complex claim).

Triaging

Standard and complex

A claim that meets the criteria below must be triaged by the Lloyd's Lead Claims Agreement Party ('CAP') as *complex* and handled jointly by the Lead and the Second Lead CAP unless and until the Lead and Second CAPs agree to dynamically re-triage the claim as *standard*. If the claim does not meet the criteria below the claim must be triaged by the Lead CAP as *standard*.

Complex non-financial criteria

1. Actual or potential disputes

Actual or potential dispute between the (re)insured and the (re)insurers in relation to the claim including, but not limited to: contested denials, meaningful quantum disputes, policy avoidance matters and any referral to relevant Ombudsman or local equivalent.

2. Extra contractual damages sought from (re)insurers

Damages sought from (re)insurers in addition to indemnity under the policy including punitive damages and allegations of bad faith.

3. Allegations against (re)insurers of breach of regulation

Allegations of potential breach of regulation including any regulatory investigation.

Complex financial criteria

The lead managing agent considers there is a chance of **more than** 50% that the amount that will be claimed by the insured will be above the thresholds below:

	Lloyd's ('bureau') share on the policy
Third party:	£1,000,000
First party:	£2,000,000
Non-Proportional Treaty Re-insurance:	£5,000,000



If a claim is not in GBP the threshold is currency equivalent at the time the triage decision is made.



As soon as a Lead CAP has identified that a claim meets the complex criteria it must triage it as complex and tick the Second lead on ECF. For non-ECF claims the lead must inform the second lead of the complex triage by email and handle the claim jointly with the Second CAP as long as the claim remains complex.



If and as soon as the complex criteria ceases to apply, the Lead CAP should retriage the claim as standard and untick the second lead.

Dynamic Triageing

Throughout the claim lifecycle CAPs must continually assess whether the claim is *standard* or *complex* and if *complex* whether a Second CAP will provide valuable contributions to the handling of a claim. This avoids wasting resource and slowing down decisions by involving a Second CAP unnecessarily.

1

The Lead CAP must triage an in scope claim as *standard* if it **does not meet** the *complex* criteria. This applies at the time the claim is notified and throughout its life.

2

The Lead CAP must triage a claim as *complex* if it **does meet** the *complex* criteria. As soon as a claim ceases to meet the *complex* criteria the Lead CAP must retriage the claim as *standard* and does not need the Second CAP's agreement to this.

3

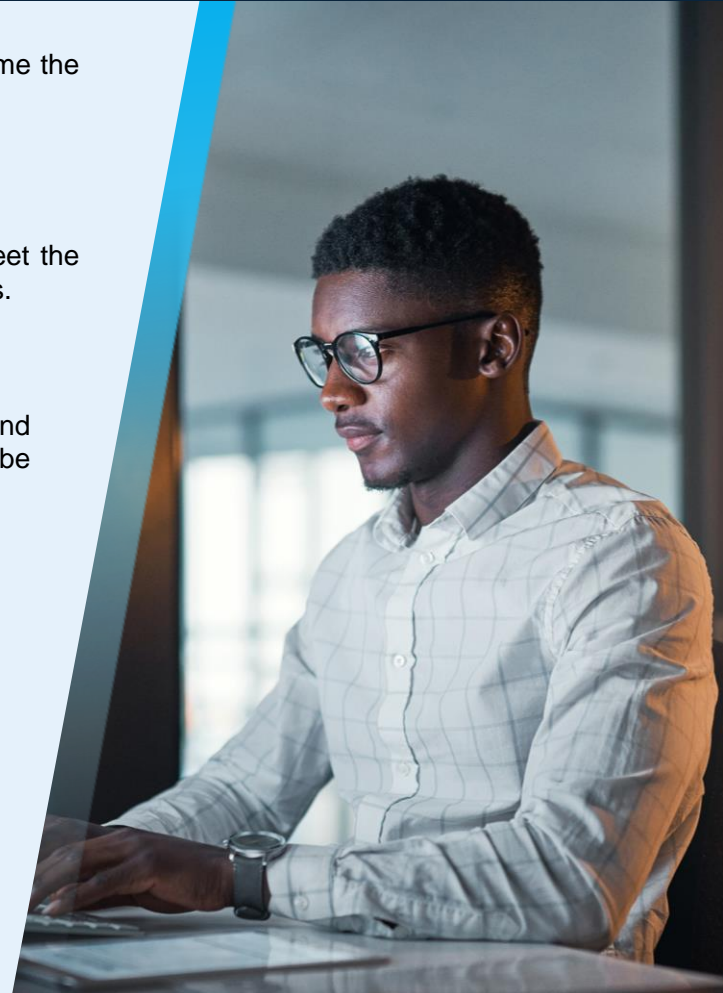
On a *complex* claim (ie a claim that meets the financial or non-financial criteria set out on the previous slide) the Lead and Second CAPs must continuously consider whether the Second CAP's involvement is required. If not, then the claim must be re-triaged as *standard* and the decision recorded on the claim file.

4

Having retriaged a *complex* claim as *standard*, if any of the *complex* criteria become applicable and the Lead CAP forms the view as a result of a change in circumstances that the Second CAP's input would assist, the Lead CAP should re-triage the claim back to *complex* and record its rationale as above.

5

Lead CAPs are expected to ensure that they **apply the dynamic triage approach throughout the lifecycle of the claim** – very few claims are expected to spend their entire lives triaged as *complex*.



Information for followers

Communicating with followers

INFORMATION FOR FOLLOWERS

Lloyd's Lead Claims Agreement Parties ('CAP') have responsibilities under the LCLA to keep followers informed of developments in claims where appropriate.

To help more easily identify claims with specific characteristics, a set of codes have been introduced that the Lead should apply to a claim to identify

- ✓ **Non-financial complex criteria**
- ✓ **Key characteristics of the claim**

When significant and/or material developments are anticipated or have occurred on a claim, the Lead CAP must consider whether the development should specifically be brought to the attention of the followers.

Identifying Lloyd's Claims Agreement Parties

Identification of the Lloyd's Lead and Second Lead Claims Agreement Parties



The identity of the Lloyd's Lead and Second Lead CAPs should be readily available at the notification of any claim, ideally this should be established as part of the placement process.

1

During the lifecycle of every claim the Lead CAP will be considering whether the claim meets the complex criteria. It is essential that the Lloyd's Second Lead can be identified easily within the contract in case the claim is triaged as complex and they become a Claims Agreement Party.

2

In some instances, it will be clear the claim should be triaged as complex from first notification of loss (e.g. where the complex financial threshold is breached). Clear identification of the Second Lead CAP at placement allows for a prompt decision to be made by the Lead and Second Lead CAPs on the determination of the claim and on whether to re-triage the claim as standard, with evidence provided on the claim file for followers.

3

Where the identification on the Second Lead CAP is not clear, brokers will be asked to assist. This could be time consuming for both brokers and managing agents, potentially slowing the progress of a claim until resolved.

4

Full details for identifying the leading and second Lloyd's syndicates can be found in paragraphs 3.2-3.4 of the [CLA Guidance on Lloyds.com](#).

Delegated underwriting arrangements

Lloyd's Claims Lead Arrangements - Summary

Delegated underwriting arrangements ('DUA')

Binding authorities, consortia and line slips

All claims notified to policies written by more than one Lloyd's syndicate must be handled in accordance with the Lloyd's Claims Lead Arrangements (LCLA), including claims notified to policies written under one or multiple delegated authority arrangements.

Identifying the Lead and Second Claims Agreement Parties ('CAPs')

A risk written 100% to a DUA

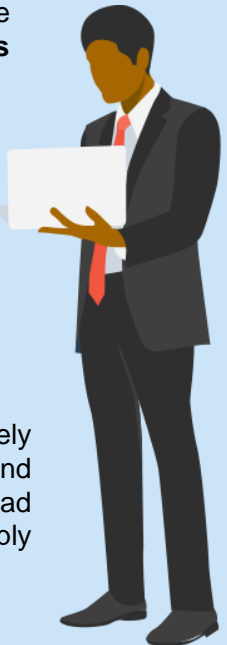
A consortium, binding authority or line slip agreement should specify the arrangements for handling the claim and identify the Lloyd's Lead and Second CAPs for LCLA purposes. **Under a consortium arrangement the Lloyd's lead CAP's claims authority can be higher than the limits in the LCLA if all syndicates in the consortium agree to this.**

A risk written on the open market

Where an open market risk (i.e. slip) is written by some syndicates underwriting for their own share and others participating via a DUA, the slip should specify which syndicates on the placement shall be the Lloyd's Lead and Second CAP. In the absence of agreement, the usual Lloyd's LCLA default rules for open market risks will apply – however, no more than one syndicate on a DUA can be a CAP (see the LCLA Guidance for further information).

A risk written partly under one DUA, and partly under another DUA

Where a risk is written under more than one DUA, for example under multiple or 'co-lead' binders, the policy wording is unlikely to take the form of a Market Reform Contract (MRC) and is therefore unlikely to contain the identity of the Lead and Second CAPs. The managing agents should work with the broker to ensure that a written agreement is in place that identifies the Lead and Second CAP or the mechanism by which they will be determined. In the absence of an agreement, default rules will apply (see slide14) to determine which syndicates will be Lead and Second CAP.



Delegated underwriting arrangements (DUA)

Binding authority claims agreement parties - summary

One binder written only by Lloyd's syndicates

For risks underwritten on a single Lloyd's only binder, the **Lloyd's Claims Lead Arrangements (LCLA)** apply.

One binder written by Lloyd's syndicates and company market

For risks underwritten on a binder subscribed to by Lloyd's and company market underwriters, the **LCLA** applies to syndicates, and company underwriters agree their own share.

Multiple binders written only by Lloyd's syndicates

For risks underwritten on multiple Lloyd's binders, the **LCLA** applies to syndicates so that one Lloyd's Lead CAP (and Second CAP if complex) agrees claims for **all syndicates across all binders**. A Co-Lead Claims Agreement should be signed.

Multiple binders written by Lloyd's syndicates and company market

For risks underwritten on multiple Lloyd's and company market binders, use of the cross-market Co-Lead Claims Agreement (LMA9187) gives the company lead authority to handle claims for Lloyd's syndicates or vice versa, up to agreed limits. If this clause is not adopted, the LCLA applies to syndicates so that one Lloyd's Lead CAP (and Second CAP if complex) agrees claims for all syndicates across all binders and each company agrees its own share.



Delegated underwriting arrangements (DUA)

Claims notified to risks written under multiple ('co-lead') delegated underwriting arrangements

Lloyd's Claims Lead Arrangements (LCLA) apply where risks are written under multiple delegated authority arrangements, eg multiple binding authorities.

The Lloyd's Claims Lead Arrangements (LCLA) apply to risks (ie insurance policies or certificates) written by more than one syndicate even where those syndicates subscribed to the risk under different binding authorities.

Therefore, the Lloyd's Lead CAP (plus Second CAP for complex claims) has authority under the LCLA to handle the claim for the syndicates that subscribed to all of the binding authorities under which the risk was written, **not** just the followers on their own binding authority.


Managing agents that are binder leads **should work with the brokers to ensure that it is agreed which syndicates will assume the Lead and Second Lead Claims Agreement Party** roles across a multiple binder arrangement.


This agreement should be documented, for example in a co-lead claims agreement (CLCA) (see slide 12). In the absence of agreement, the Lloyd's CAPs will be determined by default rules (see slide 14).

The Lloyd's Lead CAP's authority is determined by the LCLA and is the same as for open market risks, which includes denying claims, handling litigation and pursuing recovery opportunities **on behalf of all syndicates**.



Where the Lloyd's Lead CAP appoints a third party to determine claims, this appointment will be to determine the claim for all syndicates subscribing to the binders under which the risk was written:

 The authority of the third party will be subject to the limits of its authority in its contract with the Lead CAP, as amended by any CLCA

 The Lead CAP's contract with the third party should require the third party to report claims by way of a separate bordereaux for each binder

Delegated underwriting arrangements (DUA)

Claims notified to risks written under co-lead binder arrangements

Co-lead claims agreement (CLCA)

Managing agents should work with brokers to ensure that the identity of the Lloyd's Lead and Second CAPs are established whenever a coverholder writes a risk under more than one binder. The identity of the CAPs or the mechanism for choosing them should be documented, for example under a **'Co-lead Claims Agreement' (CLCA)**.



If no CLCA has been signed before a claim is notified, default rules will apply to determine which syndicates are Lloyd's Claims Agreement Parties. See slide 14.

In addition to identifying the Lead and Second CAPs for each binder, or the mechanism by which they are to be appointed, the CLCA may also include:

1

Identity of each binding authority subject to the CLCA, by UMR, with binding authority lead syndicate details for each binding authority

2

Identity and contact details of Lead and Second CAPs, or the mechanism by which they will be identified

3

Any variations to Lead and Second CAPs for each section

4

Identity and claim contact details of all other binder leads

5

Identity of any DCA that it is agreed may be appointed including financial and non-financial limits of authority that can be delegated to the DCA

6

Mechanism for making payments, e.g. by establishing loss funds under the control of any DCA appointed (which should include agreed levels for the loss fund, and the authority of the Lead CAPs for agreeing any increase to loss funds)

7

Roles and responsibilities of CAPs and broker(s) in communicating with all other syndicates – including the responsibilities provided in LCLA, for example the Lead CAP's responsibility to inform follow syndicates of the commencement of dispute resolution proceedings against syndicates.



The CLCA must be consistent with the Lloyd's Claims Lead Arrangements (LCLA). If any terms are inconsistent, the terms of the LCLA prevail.

Delegated underwriting arrangements (DUA)

Claims notified to risks written under co-lead binder arrangements

Co-lead claims agreement (CLCA)

The broker(s) should provide a copy of the CLCA or other agreement identifying CAPs to the following:



To all syndicates that participate on the binders and risk, by uploading a copy to the IMR for each binder UMR



To any other broker(s) involved in the binders that are included in the CLCA



To any appointed DCA

Where a binding authority lead becomes aware that a coverholder has written a risk using the capacity from more than one binding authority and there is no CLCA in place that either identifies the Lead and Second CAPs for that risk or sets out the mechanism for the CAPs to be determined, then the binding authority lead should promptly notify the broker to arrange for a CLCA to be prepared and entered into, or for the binding authority(ies) to be included in a pre-existing CLCA.

Delegated underwriting arrangements (DUA)

Claims notified to risks written under multiple binder arrangements

Default Lloyd's CAPs in the absence of an agreement (1)

If for any a claim is notified to a risk written under more than one binder prior to an agreement on CAPs being in place, the Lloyd's Lead and Second CAPs will be as follows, pending an agreement being reached:



Determining the default Lead CAP

The Lead CAP will be the lead of the binder with largest share of the risk. If there are two or more binders with equal largest share, the Lead CAP will be the lead of the equal largest binder that is first in the list of binders in the policy documentation provided to the policyholder.



Determining the default Second CAP

The Second Lead CAP will be either the lead of the binder with equal largest share that is second in the list of binders in the documentation provided to the policyholder, or if there is only one binder with largest share, the lead of the binder with the second largest share. If there are two or more binders with equal second largest share, the Second Lead CAP will be the lead of the equal second largest binder that is first in the list of binders in the policy documentation provided to the policyholder.

Delegated underwriting arrangements (DUA)

Claims notified to risks written under co-lead binder arrangements

Default CAPs in the absence of an agreement (2)



Responsibilities of the broker

1 Where a claim has been notified by a policyholder to a risk written under more than one binder, and no agreement has been reached on which managing agents will be Lead and Second Lead CAPs, the broker should notify the claim to the Lead CAP (or its appointed third party) as determined under the default rules.

2 If the managing agent has been notified of a claim in these circumstances, they should work with the broker to arrange for a discussion with the other binder leads to agree a CLCA as soon as possible.



Pending the agreement of a CLCA, the default Lead CAP (and Second Lead CAP if the claim is complex) should exercise its authority to make any claim determination decision that is required in order to not delay a response to the claim.

Delegated underwriting arrangements (DUA)

Claims notified to risks written under co-lead binder arrangements

Reporting and settlement collections by the broker

Claims within the claims handling authority of a coverholder or DCA

Brokers should:

1. Notify these claims to all syndicates in bordereaux uploaded via ECF to all binder UMRs.



This should also be the mechanism for topping up any loss fund.

Claims outside the claims handling authority of a coverholder or DCA

Brokers should:

1. Submit the notification, subsequent updates and requests for a response or agreement, and all supporting documentation to the Lead CAP via ECF or email.



If the Lead CAP informs the broker that the claim is complex, the notification/request/information should also be provided by the broker to the Second Lead CAP via ECF or email.

2. Submit any cash calls to the Lead CAP via ECF or email (and Second CAP if the claim is complex) for agreement on behalf of all other syndicates.
3. Provide evidence of the agreement of the Lead CAP (and Second CAP if the claim is complex) to support individual requests to other syndicates for settlement payments, indicating that the settlement has already been agreed by the CAP(s).



The mechanism for how brokers communicate with Lead CAPs (and Second CAPs) may depend on whether the claim is standard or complex.



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