

# Market Bulletin

Ref: Y5436

**Title** Lloyd's Europe – Settlement of claims outside of Velonetic due to processing restrictions

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**Purpose** To provide guidance on claims settlement for Lloyd's Europe when Velonetic may not be used due to processing restrictions

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**Type** Event

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**From** Bertrand Heugues, Chief Underwriting Officer, Lloyd's Europe

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**Date** 17/06/2024

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**Deadline** N/A

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**Related links** See below

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This bulletin replaces the previously issued Market Bulletin Y5355.

## Summary

This document provides operational guidance to managing agents on how to settle a Lloyd's Europe claim (Lloyds Insurance Company SA) where Velonetic services 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 Lead Arrangements with regards to the claims handling process, either for leaders or followers, and focuses on the settlement aspect only.

## Scope

This bulletin is applicable for all business written by Lloyd's Insurance Company (LIC). This includes the business that is part of the Part VII portfolio transfer.

The solution described in this document should be followed only when Velonetic cannot process a valid 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.

This process relates to a Business-As-Usual, albeit rare, scenario of Lloyd's Europe's operating model, and it is **not** related to the ongoing Blueprint Two Programme and any related transformation, cutover and contingency activities.

## 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 Velonetic with settlement through Lloyd's Central Settlement as described in [LLOYD'S EUROPE: Exclusions and processing requirements update](#)

## Background – Velonetic processing restrictions

Managing agents can refer to the Velonetic 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

When a notified claim is subject to the processing restrictions of Velonetic, the lead managing agent on the risk must contact Lloyd's Europe by sending an email to Lloyd's Europe Claims oversight mailbox at [LloydsEurope.Claims@lloyds.com](mailto:LloydsEurope.Claims@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 or coverholder CSN
- 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 a consortium stamp, the managing agent should provide the consortium stamp number and the UMR of the individual risk.
- For business written using a coverholder CSN, the managing agent should provide the CSN number and the UMR of the coverholder agreement.
- A UCR where applicable should also be provided
- A clear description of the processing restrictions of Velonetic 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 inform the lead managing agent of its decision. If positive, the lead managing agent will be required to fill in and return the two following documents (that will be shared by LIC):

- The mutual agreement letter: this document formalises the approval of LIC and the syndicate to make an exception to the PTF. It needs to be filled in and returned before proceeding to the payment
- The claims data collection form: this is a document where all the data required for the technical accounting of the claim transactions will be reported. The document needs to be returned after the direct settlement has occurred.

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 and the claims data collection form and return them to [LloydsEurope.Claims@lloyds.com](mailto:LloydsEurope.Claims@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>

### Additional Resources

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

### Contacts

Please submit all queries related to this procedure to [LloydsEurope.Claims@lloyds.com](mailto:LloydsEurope.Claims@lloyds.com)