

## SCAP Launch Market Communication

### Single Claims Agreement Party (SCAP)

SCAP is the London Market initiative to develop a more effective process for the settlement of lower value, non-complex claims (£250,000 and below) where multiple London agreement parties exist. It is a contractual arrangement to delegate sole claims handling responsibility to the Slip Leader (which must be a London Market carrier).

It represents a significant step in ensuring that the London Market remains competitive and at the centre of the international insurance industry through the implementation of innovative and efficient working practices.

SCAP has been designed for adoption by brokers and carriers on individual risks, with participating carriers having the option to contract out of SCAP should they choose. To achieve this, an inter-carrier agreement has been produced for inclusion in the Market Reform Contract (MRC). The clause has been published as model wording LMA 9150 together with accompanying guidance. MRC (Open-Market) Implementation Guide v1.8 (February 2018) has been updated to support the adoption of SCAP.

All supporting documents and FAQs can be found at [www.londonmarketgroup.co.uk/scap](http://www.londonmarketgroup.co.uk/scap).

### Development of and support for SCAP

SCAP has been a collaboration between LIIBA, LMA, IUA and Lloyd's, following a call from LIIBA's membership to enhance the London claims service for the customer. The delivery of SCAP is intended to provide an efficient claims agreement process for non-complex claims up to £250,000 and thereby reinforce the attractiveness of the London market.

The SCAP programme commenced in April 2017. Market support has been provided through the associations' membership. A Steering Group (supported by a number of working groups) reported to the respective associations and Lloyd's boards. External legal counsel was appointed to assist with the drafting of the inter-carrier agreement (LMA 9150). Following the development of the inter-carrier agreement and the supporting operating principles, extensive market consultation was undertaken in September 2017. This confirmed support for the adoption of SCAP and the approach proposed.

In December 2017, the four market associations confirmed their support for SCAP following board approval

### Benefits of SCAP

SCAP offers significant potential benefits to the London Market:

- It will simplify the agreement of a large number of claims, but which together are calculated to only represent a small proportion of the London Market's total claims cost. While full cross-market data is not available, as many as 80% of claims across the market could be in scope for SCAP.
- Having to deal with multiple claims agreement parties has been identified as a barrier to the ease of doing business in the London Market for lower value claims. SCAP seeks to address that concern.

- Having a single claims agreement party reduces expense for brokers and carriers, potentially allowing significant savings.

### **Key Features of SCAP**

SCAP is a contractual arrangement that provides, through the incorporation of LMA 9150 into the MRC, for the delegation of claims handling authority to the London Slip Leader for all in-scope claims.

The arrangement can be adopted by brokers and carriers on a risk by risk basis, through the inclusion or omission of LMA 9150 into the contract, with individual participating carriers having the ability to opt out of SCAP at the point of placement should they choose. It should be noted, however, that all Lloyd's syndicates participating on a placement will be bound to the SCAP arrangement in accordance with the decision of the leading Lloyd's syndicate participating on the risk - see Market Bulletin Y5157.

Key features include:

- The application of SCAP is optional for brokers and carriers and will need to be considered at the point of placement.
- The current SCAP threshold is fixed at GBP 250,000 (or currency equivalent) to the slip.
- The SCAP Slip Lead must be a UK authorised (re)insurer or a Lloyd's syndicate
- SCAP operates to give delegated authority to the SCAP Slip Lead to determine claims for the followers on the same MRC where those followers agree to adopt SCAP and participate on the risk on the same terms (other than premium and brokerage). The SCAP Slip Lead cannot determine claims on behalf of insurers that participate on the risk through a different slip or where there are different terms.
- Insurance and reinsurance placements are both in scope for SCAP. However, binding authorities, proportional treaties and quota share treaties are outside of scope.

### **Implementation of SCAP**

SCAP can be adopted for new and renewing risks on risks bound from 1 February 2018.

The SCAP model and LMA 9150 cannot be applied retrospectively to open claims or contracts bound prior to 1 February 2018.

Further guidance on the adoption of SCAP, including the operating guidelines to be followed, is provided in the guidance document that accompanies LMA 9150.

### **Training**

Online training explaining how to apply SCAP is being developed by the sponsoring associations and will be available shortly. Further information will be issued in due course.

## Further Information

All relevant documentation can be downloaded from the London Market Group website at:  
[www.londonmarketgroup.co.uk/scap](http://www.londonmarketgroup.co.uk/scap).

Questions about SCAP should be directed by carriers and brokers to their relevant market Association at the following contact details:

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