



EDI Technical specification

LIMCLMA (Overview)

LONDON INSURANCE MARKET - CLAIMS MESSAGE

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1 INTRODUCTION

The London Insurance Market Claims Message is a standard format for the transmission of claims advices and settlements.

This message format has been agreed by LIBC, Lloyd's, LIRMA and ILU as the standard for use in all networked claims dialogue between Broker and Bureaux.

The message documentation is made up of several parts:-

- BUSINESS OVERVIEW
- TECHNICAL SPECIFICATION
- COMPLETION INSTRUCTIONS
- IMPLEMENTATION GUIDE/EXAMPLES
- VALIDATION RULES

1 BUSINESS OVERVIEW

1.1 Types of claim

1.1.1 General

The London Insurance Market Claims Message has been designed with the aim of allowing all types of claim to be processed. Data defined within the message falls into two main areas; general information required for the processing of all types of claim, and additional specific information required for the processing of certain identified special types of claim. There is also a large amount of completely free format text included to support the formatted data, and to allow the flexibility to report any additional data required for unusual types of claims.

It should be noted that it is not the intention of this message, in its current form, to completely replace the paper 'claims file' used at present within the London Market. Correspondence, Survey Reports and other physical documents will continue to be needed to support the claims agreement process within the London Market, and it would be an unwarranted change of practice for Brokers to be asked to rekey these for transmission within the claims message. Practice differs between the different Bureau Markets, but the general intention is that the paper 'claims file' should only be shown to the Leading Insurers, this being at the same time as they review the claims data transmitted within the message. The claims data from the message should contain information at a level sufficient for Bureau electronic claims schemes to then advise the claim onwards to their following Market. Discussions are taking place to consider the electronic transmission of supporting documentation for claims, but until a practical solution for this is reached, the paper 'claims file' will continue to exist.

1.2 Special types of claims

As mentioned above, various special types of claims have been identified which have additional information reporting requirements. These are described below.

1.2.1 Bulk Advice/Settlements

Where many claims have been advised on the same risk, there is sometimes a requirement for several subsequent advices or settlements affecting individual claims to be grouped together into one transaction for processing through Bureau electronic claims schemes. Where this is the case, the Bulk Advice/Settlements facility may be used.

The Bulk Advice/Settlements facility allows individual claim transactions to be listed under a separate claim created specifically for the purpose. Brokers may create a general 'Bulk Advice/Settlement' claim for a risk and then submit each new Bulk Advice/Settlement transaction as a subsequent transaction on that claim. Alternatively, they can create a new claim for each Bulk Advice/Settlement transaction they process.

The detail given for each individual item included within a Bulk Advice/Settlement transaction is limited to brief descriptive data and amounts, with a cross reference to the UCR under which it was originally advised. This is catered for within the BLK segment grouping of the message.

1.2.2 Partial collections

There are occasions when a Broker will want to collect a claim from the Insuring Market where each Insurer's settlement proportion of the claim does not follow the signed line he has written (e.g. where fee payments are only paid by a part of the Market, or where Loss Deposits are involved).

Where this is the case, the Broker can submit a Partial Collection settlement request, listing the Market involved within the message. Individual settlement amounts can then be specified against each Insurer. Alternatively, for some types of settlement the ILU will allow the list of Insurers to be specified without amounts, and they then gross up each Insurer's share in proportion with his signed line so that the full amount is paid.

1.2.3 Cover collections

Where a Broker has a Line slip or similar Cover facility, there will often be a requirement to advise all claim settlements relating to small claims on a periodic

basis, rather than advise these individually (e.g. where the Broker has his own settling authority).

Where this is the case, the Broker can submit a settlement request message giving general details regarding the total settlement amount, the policy details, etc., and include within it a breakdown of the individual claims which go to make up the total settlement amount.

The detail given for each individual item included within a Cover collection is limited to brief descriptive data and amounts.

Large claims for which the Insuring Market will require more detail may not be included as an item within a Cover collection. These must be advised and maintained as individual claims. It is important that any item included within a Cover collection must not have been advised previously as an individual claim.

The matter of definition of what constitutes a large claim, and therefore must be processed individually, is a matter for agreement between the Leading Insurers and the Broker for the Insurance contract concerned.

1.2.4 Excess of Loss Aggregates

Where a claim is to be processed on an Excess of Loss Reinsurance contract with an Aggregate Limit or Excess involved, there will usually be a requirement for a breakdown of all claims that apply to this contract to be supplied.

In the absence of a final agreed solution for the formatting of such claim breakdown data, such breakdowns may be included within a special area of free text within the message.

1.2.5 Treaty claims/cash losses

It is not intended at present that claims/cash losses payable under proportional treaty contracts should be processed using the London Market Claims Message or Bureau electronic claims schemes.

The electronic processing of such claims is dependent on the future implementation of the Treaty Accounting message, a design for which was completed in late 1990. Until this is implemented, Proportional Treaty claims will continue to be processed on paper using the London Market Treaty Form.

Details of the Treaty Accounting specification and message are available from the LIBC Network Team.

1.3 Other special processing

1.3.1 General

There are additional areas of special processing within the claims message which can relate to any type of claim, for which further details are given below.

1.3.2 Complex Signings

Often the Insuring Market for one Bureau will be split over several original Bureau signing references for an individual policy (e.g., Tax/non-tax Companies, Sectioned policies, etc.). Where this is the case, one claim advice or settlement request may be submitted with all the relevant Original Signing references specified. Bureau systems will combine the Markets identified by each Original Signing Reference and advise Insurers correctly.

Full details of the usage and limitations of this facility can be found within the SDC segment group description within the 'Completion Instructions for the London Market Claims Message.

1.3.3 Multi-currency claims

Often there will be a requirement for the advice or settlement of a claim in various different currencies (mainly on London Market Excess of Loss Reinsurance business). Where this is the case, one claim advice or settlement request transaction may be submitted with details of all of the different currency amounts included.

Full details of the usage and limitations of this facility can be found within the SDC segment group description within the 'Completion Instructions for the London Market Claims Message.

1.3.4 Letters of Credit

Letters of Credit are set up upon the expiry of North American Reinsurance Policies to cover known outstanding losses. They are set up by Citibank against the Reinsurers' accounts, and allow the Reinsured to draw money against them in New York at any time. A separate trust agreement is taken out between Mendes and Mount and the Reinsured to control the drawings, and Mendes and Mount advises Reinsurers of every claim against which a drawing has taken place.

The UK Broker will always be advised of any claim settlement by the Reinsured, and therefore be aware of each potential LOC drawing before it occurs. It is at this stage that Brokers will currently advise Reinsurers of the LOC drawing (i.e. before it actually occurs) and any consequent reductions in outstanding figures.

In some cases, where several drawings have already occurred, it is possible for the LOC balance to be insufficient to pay for the whole of a claim settlement. In these cases the Broker will also want to collect a cash claim amount through Central Settlement at the same time as advising the LOC amount.

It is also possible that each Reinsurers' participation in an LOC is different, and therefore will run out at different times. In these cases the Broker will want to collect cash amounts for the claim settlement in varying proportions depending on the individual reinsurer's participation in the LOC.

The claims message allows for the submission of Letter of Credit details in all of the above outlined circumstances.

Full details of the usage and limitations of this facility can be found within the SDC segment group description within the 'Completion Instructions for the London Market Claims Message.