

## The CDP's Unique Design Process – Case Study 2

The City Disputes Panel played a significant role in connection with the reconstruction of Lloyd's of London.

During the last decade, after a wholly exceptional run of claims the Lloyd's insurance market was in danger of collapsing. 'Equitas' was established as a special company to reinsure many of these liabilities and give Lloyd's a fresh start.

One of the essential elements of this reconstruction and renewal plan was the process to estimate the reserves Equitas would require to meet the liabilities being reinsured into it. Reinsurance cover held by syndicates had to be valued but a problem arose where the cover was disputed. If the dispute was moving slowly through the courts, possibly years away from a decision, or if the dispute had not even reached the stage of litigation how could the strength of the syndicate's claim be assessed and the cover be valued?

It was essential that the reconstruction proceeded expeditiously and so a method of evaluating the strength of the claims had to be established. The process had to be flexible, confidential and speedy. It also had to be acceptable to all those involved and so needed to be independent and authoritative.

The CDP worked with Lloyd's and all those involved to develop a case evaluation procedure and to establish a panel of experts under the joint chairmanship of Lord Ackner and Lord Templeman, former law lords, to evaluate the claims.

The panel consisted of 15 insurance experts and distinguished lawyers with relevant experience and teams of three or five drawn from the panel looked at the disputed claims. Both 'marketwide' disputes – affecting a majority of syndicates in dispute with their reinsurers – and 'syndicate specific' disputes with a unique factual context had to be considered. The process provided that the claims would be assessed into one of five bands depending on the strength of the claim.

The time taken from a syndicate being notified that an evaluation was to take place through to the completion of the evaluation was typically less than two months.

Generally the assessment was conducted from written submissions and evidence although in some circumstances there was the opportunity of a hearing before the evaluation panel.

The entire process took less than two years.

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