Xchanging
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To:	All Broker Contacts All Company Contacts Lloyd's Managing Agents Market Repository Contacts Software Providers
Date:	23 August 2012
Reference:	2012/105
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market communication

RE: MID TERM BROKER CHANGES

The purpose of this market communication is to provide further clarity around the minimum requirements required for Mid Term Broker Change (MTBC) processing by Xchanging, to restate the process that should be followed and explain how the outcome will affect the brokers involved. This market communication has been drawn up following discussions between Xchanging and LIIBA, and in addition to detailing the 'ideal' process, certain non-standard scenarios are covered at the end of this document.

General Requirements

Where the broker has changed mid-term, a completed MTBC request form (Appendix A) should be submitted to servicecentre@xchanging.com, not direct to specific individuals, along with approval **from the outgoing broker** in the form of a 'transfer agreement'. This should be agreed by both parties, clearly list the UMRs of the contracts involved and detail the responsibilities of both the incoming and outgoing brokers.

The client Broker of Record (BOR) appointment letter is not sufficient in isolation for Xchanging to perform the MTBC. The operation of the MTBC System gives the incoming broker access to the electronic records created by the outgoing broker and held on Xchanging systems. Under the terms of the Insurers' Market Repository (IMR) User Agreement, Xchanging is required to have the explicit consent of the outgoing broker before allowing the incoming broker to access such records.

If the number of Unique Market References (UMRs) is greater than 30, the broker should complete a CSV file transfer request (Appendix B) and not an MTBC form.

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Standard Access

In the majority of MTBC cases, the request should be made for standard access. This means that the UMRs and all associated Unique Claim References (UCRs) will be transferred to the incoming broker. In these instances it is not necessary to complete the exception access fields on the MTBC request form or list the UCRs.

Exception Access

There are a few cases where the exception access process will need to be followed. If the outgoing broker is retaining responsibility for a UCR, or a number of UCRs, following a broker transfer then the UMR should be entered in the Exception Access field of the MTBC form and **only the UCRs to be transferred** to the incoming broker should be listed. **Please note this is a change to the initial instructions which advised that the UCRs retained by the outgoing broker should be listed.**

The IMR-based MTBC system cannot cater for the transfer of claim records (UCRs) only, ie where the UMR level record remains with the original broker, however, a similar net result can be achieved by Xchanging editing the CLASS UCR ownership record. If the MTBC is exclusively in respect of claim records, the transfer agreement should make this clear, and the UCRs being transferred should be shown in the exception access field of the MTBC form (with nothing shown under the UMR heading).

Result of an MTBC

Once Xchanging has processed an MTBC request, the IMR and mainframe systems will update with this information overnight. A report will be generated at the end of the day following an MTBC which will be emailed to the incoming and outgoing broker contacts shown on the MTBC form, confirming details of the transfer. 'UCR only' transfers processed outside of the IMR will not generate this report.

The following working day, the outgoing broker will have read-only access to documents and CLASS transactions loaded up to the point of transfer and the incoming broker will have full access to the UMR and any requested/associated UCRs, although they will not be able to enquire on previous CLASS transactions until they have created a new sequence. There can only be one broker of record on any given UMR and this will be the incoming broker who will be the only one able to create new claims or add new work packages on the IMR.

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Future Processing

The incoming broker should access the existing UMR and UCR records created by the outgoing broker, thus maintaining one constant premium or claim history for the benefit of the underwriters. It is the existing original signing number and date (OSND) and UMR that should be quoted on such entries, but the incoming broker will use their own broker number (eg 0823, 0775) on LPANs and in CLASS TRs. Due to the design of Xchanging systems, it will be the existing (ie outgoing broker) UMR/UCR that is captured when such entries are signed, ie any new UMR shown by the incoming broker cannot be captured (see 'New UMR' below for an alternative approach).

Outstanding Deferred Instalments

In the event there are outstanding deferred instalments due on the contract being transferred, and for which payment is now the responsibility of the incoming broker, these will need to be cancelled, as the system does not automatically transfer the payment, which could place the outgoing broker in a funding position.

There are a number of ways in which this can be achieved:

- Cancellation can either be before the transfer has been made on the IMR, ie when the outgoing broker still has access to the record. The submission will require an agreed endorsement from the underwriter(s) so they are aware the replacement will be submitted independently by the incoming broker, or

- If the transfer has already been processed, temporary access to the UMR can be granted by the incoming broker so the submission can be made by the outgoing broker as above, or

- The incoming broker can submit both cancellation and replacement LPANs for the outstanding instalments under a single work package. No specific agreement from underwriters will be required as the instalments will change on the same day.

Instalments can be suspended under LSW3003 to allow time for the cancellation, but this should only be used if the settlement due date is imminent.

Essentially the position is that the outgoing broker must instigate a processing entry to cancel any deferred instalments that are still to fall due at the time they lose the business, otherwise they will be automatically debited on the due date. Ideally this cancellation entry will be submitted together with an equivalent replacement entry by the incoming broker on the same basis (ie cash v cash or de-linked v de-linked), but if a cancellation entry is submitted independently of the equivalent replacement entry then this must be agreed by endorsement, subject to GUA agreement procedures.

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Non-standard Scenarios

The service provided by Xchanging is designed to facilitate the smooth transfer of business and allow processing to continue. However, it is appreciated and understood that not all MTBCs are completely straightforward, and this section should provide more clarity to these minority cases.

- **New UMR**

If the incoming broker has system constraints that mean they are unable to use the outgoing broker's UMR/UCR, ie they are restricted to using their own broker number in these references, then it is acceptable for them to set up a new UMR (and UCRs if applicable). In such cases, there is no need to contact Xchanging Service Centre or complete an MTBC form, but an agreed endorsement, together with the transfer agreement, should be loaded with the first IMR transaction.

The endorsement should specifically mention that:

(a) A new UMR is being established

(b) New OSNDs (FDO or PM as applicable) will be created to establish this UMR

(c) The incoming broker will create new UCRs for any active claims (underwriters should request the outgoing broker close existing active UCRs if they wish to avoid double reserving)

It is essential that the endorsement evidences underwriters' agreement to the above points, both because the new FDO/PM signings will be chargeable to them and because it acknowledges their acceptance that going forward the premium and claim history will be split over two sets of records.

Although no IMR record is being transferred, in accordance with pre-IMR practice, Xchanging should be provided with evidence of agreement to the MTBC from the outgoing broker. If, for whatever reason, the incoming broker is unable to supply a transfer agreement, then the endorsement should also state 'Underwriters hereon authorise Xchanging to accept these changes in the absence of a transfer agreement'.

- **Temporary Transfers**

Once a standard MTBC has been effected, the outgoing broker will have only 'read only' access to the UMR and therefore will be unable to create new claims or add work packages on the IMR. If it is necessary for the outgoing broker to process an outstanding item (eg premium adjustment) subsequent to the transfer, the outgoing broker should obtain permission from the incoming broker to transfer the requested UMR back to them on a temporary basis. This information, along with a completed MTBC form, should be submitted to Xchanging to action. It is the responsibility of the outgoing broker to inform the MTBC team at Xchanging once the item has been processed to ensure access rights are reinstated.

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As an alternative to requesting a temporary transfer, the outgoing broker could agree with the incoming broker that the latter would load the necessary documents, and create a work package, on behalf of the outgoing broker.

- **Multiple Ongoing Access to UMR**

In a small minority of cases there is an agreement in place where several brokers need access to the same UMR. In this instance, the agreement should be submitted to Xchanging to lodge and the broker requiring access at any given time should complete an MTBC form to allow Xchanging to grant them full access rights.

This is necessary as only one broker can be the broker of record on a UMR and therefore have full update access rights at any one time, so this process will need to be repeated when the next subscribing broker needs access to the UMR.

- **Binding Authority or Bulking Lineslip MTBC**

Where the binding authority or bulking lineslip, along with all declarations attaching thereto, is transferred between brokers, the issues are similar to those outlined above for open market business, but it is important to note that BARS registration will need to be cancelled and replaced where an active Lloyd's binding authority is transferred.

However, it is not unusual for individual declaration(s) or a partial book of business (for example, only declarations produced by one of the retail brokers from whom the coverholder received business) to be transferred. Whilst temporary transfers and multiple ongoing access to UMR could apply, it is unusual for either to be acceptable to both brokers, and it is therefore more usual for new UMR(s) to be set up. Where volumes are small, it may be desirable to have insurers agree to set up new UMRs for each declaration that has transferred, but where volumes are larger, the incoming broker should have insurers agree to set up a new binding authority or bulking lineslip contract under a new UMR against which future transactions relating to transferred declarations will be processed.

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