

4. Transfer of an Active Binder

Faster Claims Payment



FCP Modules

1. Introduction to Lloyd's Faster Claims Payment (FCP) solution
 2. Onboarding to Vitesse
 3. New placement or Renewal of a binder
 - 4. Transfer of an active binder**
 5. Payments to beneficiaries
 6. FCP replenishment
 7. Reconcile BDX to Vitesse cash payments
 8. Submit BDX to ECF
 9. Reconcile MA signings to Vitesse funding activity
 10. Refunds and recoveries
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Objectives



Understanding the process of transferring active binders



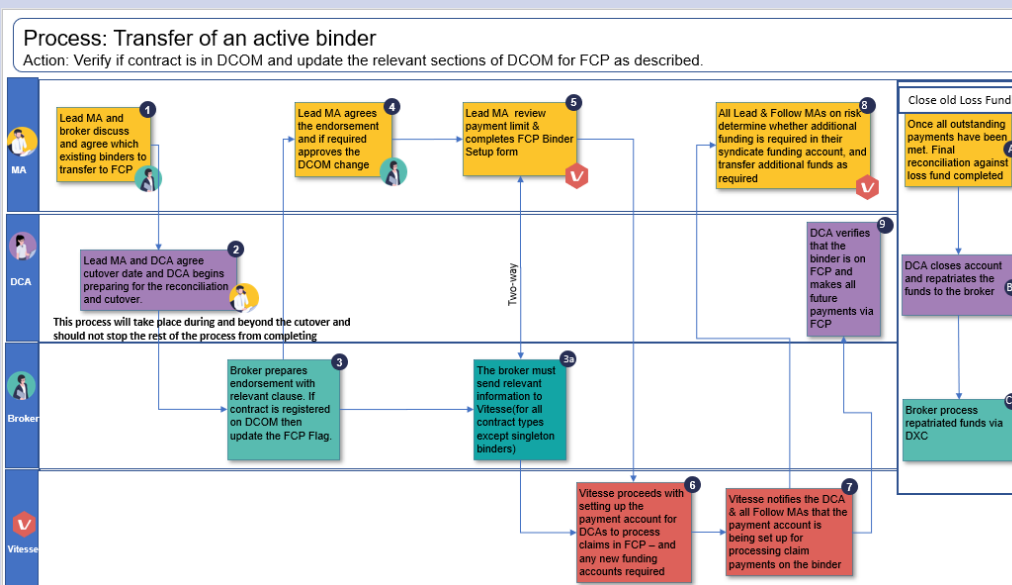
Understand roles and responsibilities

Overview

Transferring an active binder onto Faster Claims Payments (FCP)

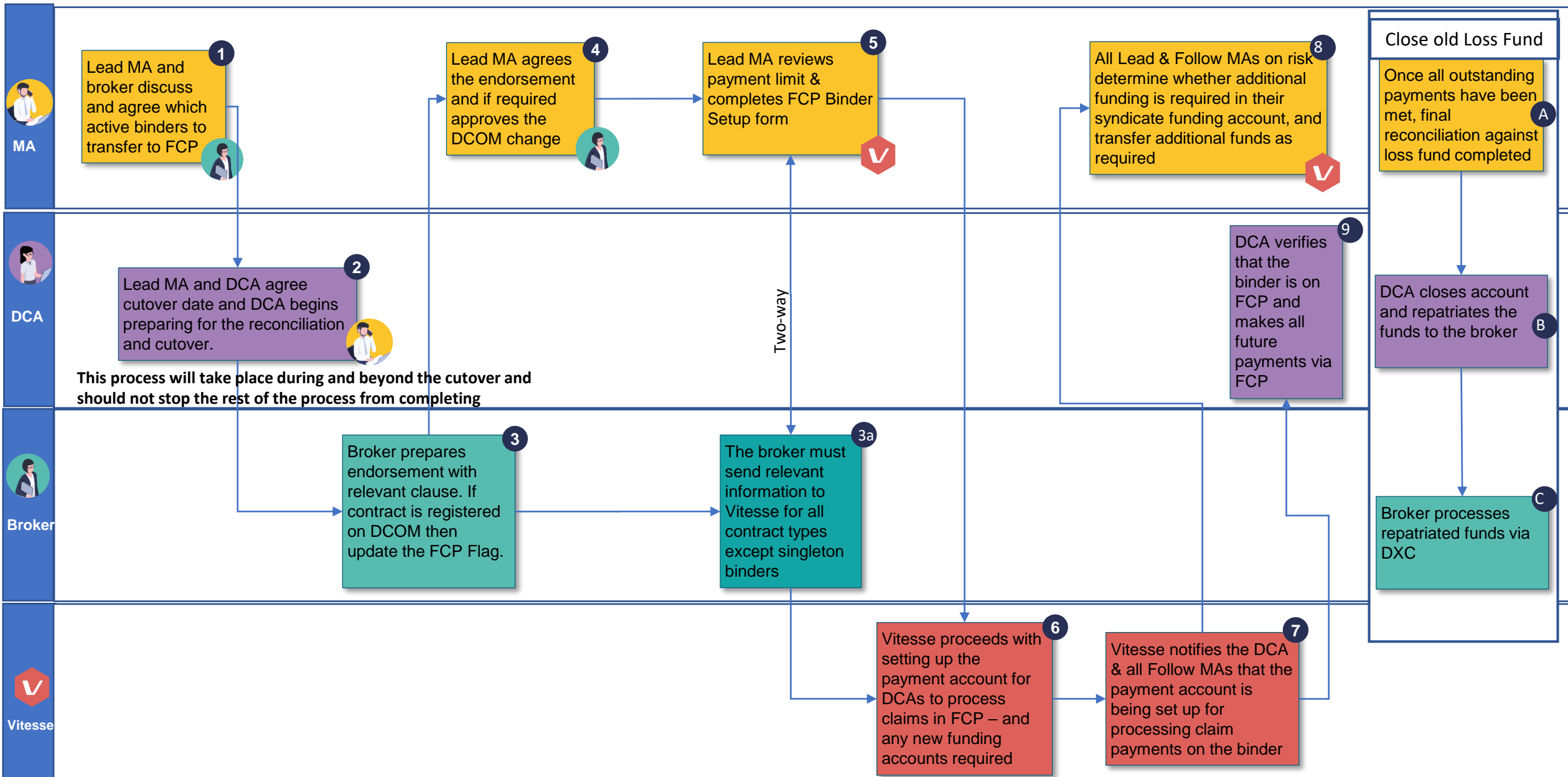
This is the process of moving the current loss fund provision within the binding authority contract and replacing it with FCP, utilising the Vitesse payment system

A high-level process flow is shown in the following section with a more detailed description of each of the steps as you proceed through the learning.



Process: Transfer of an active binder

Action: Verify if contract is in DCOM and update the relevant sections of DCOM for FCP as described.



Step by step

Step 1: Select and agree existing binder(s) to transfer to FCP

Select existing binders for FCP



1 Lead MA and broker discuss and agree which existing binders to transfer to FCP

Lead MA selects binder to transfer to FCP and agrees with market

MA's are encouraged to transfer active binders for processing claim payments onto FCP. When selecting which binders to transfer, MA's and broker must consider the suitability of these binders using the following guidance criteria:

Lead MA's criteria for selecting In-Scope binders



Lloyd's singleton and subscription binders are in scope excluding Canadian binding authorities processed through Lineage and LIC (European Business)



The binding authority has been placed 100% in the Lloyds market



Funding accounts can be set up in any of the following currencies:

USD, GBP or CAD (other Lloyd's settlement currencies to follow, these will include AUD, CHF, DKK, EUR, HKD, JPY, NOK, NZD, SEK, SGD, ZAR)



All claims handling parties have been onboarded and are ready to use FCP (i.e. MA's, brokers, DCAs). Check the LIMOSS site for the latest details <https://limoss.london/fcp>. Make sure you approach the brokers / and DCAs directly as well



Although engaged and in some cases fully trained, not all DCAs and brokers are comfortable with stating they are "FCP Ready" on the LIMOSS website. As such if an organisation you are working with doesn't appear please do approach them to find out what their actual FCP status is

Step by step

Step 1: Select and agree binder(s) to transfer to FCP

Select existing binders for FCP



- 1 Lead MA and broker discuss and agree which active binders to transfer to FCP

Preparing and agreeing the transfer date to FCP

- ✓ DCA, MA and broker to agree on planned cutover date – must be 1st of a month
- ✓ DCA commences preparation of reconciliation file up to end of the month prior to the cutover date
- ✓ **Broker to prepare paper and/or electronic endorsement as appropriate**, with the effective date of the cutover as agreed above, along with the appropriate endorsement clause allowing FCP usage. Download the wording for the Endorsements at https://www.lmalloyds.com/LMA/News/LMA_bulletins/LMA_Bulletins/LMA22-030_PK.aspx
- ✓ MA Claims team to liaise with their underwriters and finance team regarding planned transfer to FCP
- ✓ MA Claims team to review the relevant DCAs claims handling agreement and update as required
- ✓ MA to ensure all BDX processing in ECF has been completed up to the point of the transfer over to FCP. I.E no outstanding queries from MAs or DXC



Business critical step

MAs should also assess whether additional funding is required at this point against their syndicate funding account in Vitesse otherwise there is the potential for delays in payments to policyholders

Step by step

Step 2: Validate transfer of binder to FCP, ensuring existing loss fund reconciles

Validate Binders



- 2 Lead MA and DCA agree cutover date and DCA begins preparing for the reconciliation and cutover.

MAAs and DCAs should validate the transfer by ensuring the existing loss fund reconciles with the claims BDX. The broker then processes the endorsement for relevant sections that are transferred to FCP.



The lead MA to work with the DCA to validate the loss fund reconciliation process



DCAs much check all prior payments, expenses and fees made from the loss fund have been accounted for in the final BDX prior to the cutover date



Best Practice

The above process ideally should take no longer than 60 days from the cutover date

The above reconciliation process is no different to the current process used at the end of a life of a binder with a loss fund

Step by step

Step 3: Process endorsement

Flag binders as FCP



- 3 Broker prepares endorsement with relevant clause. If contract is registered on DCOM then update the FCP Flag.

Process the endorsement for binder sections that are transferred to FCP.



The broker begins to process the binder endorsement



The relevant clause relating to FCP must be endorsed by the Lead MA and sent to the following market on the slip for information



If applicable, it is important that the broker flags all relevant binder sections as 'FCP' within DCOM

Step by step

Step 3a: Send extract of binder contract details to Vitesse (applicable to all binder contract types except singleton binders)

Sends extract of FCP



3a The broker must send relevant information to Vitesse for all contract types except singleton binders

The broker provides relevant information to Vitesse to ensure the latest binder information can be used to establish payment accounts in FCP.



The broker should send the binder details to Vitesse (**fcpsupport@vitessepsp.com**) to proceed with setting up payment account(s) for DCAs



The data that Vitesse will use in setting up the payment account(s) (e.g., UMR, Section ID, YOA, and signed lines splits) must match the binder contract information



Brokers should send Vitesse updated binder information every time there is a active binder change/endorsement on the contract e.g., mid-term broker change, change in market participation, so that the latest data can be referenced



Sharing singleton binder contract information with Vitesse

If transferring singleton binders to FCP, then the lead MA will be responsible for sending the binder contract information to Vitesse following approval, not the broker

Step by step

Step 4: Approve binder endorsement

Approve binder endorsement



4 Lead MA agrees the endorsement and if required approves the DCOM change

The lead MA will review and approve the endorsement and the broker to notify the following market



The lead MA agrees the endorsement and the broker must inform the relevant following market as per their operating procedures



All MAs should have a process in place that ensures all of the relevant teams e.g. claims, finance etc are informed of the transfer to FCP



If applicable the MA approves the binder update in DCOM



If the approved binder contract relates to a singleton binder then the MA shares the binder contract information with Vitesse



Subscription binder information should be shared with Vitesse by the broker



MA and DCA to update their claims handling agreements



Broker to advise following market

Step by step

Step 5: Complete binder set-up form

Complete binder set-up form



5 MA considers the default payment account limit & completes binder set-up form

MAAs should consider the default payment account limit & complete binder set up process



Following approval of the binder in DCOM, MAs should review the £150,000 or currency equivalent default payment limit, to ensure it is not less than the binding authority claims handling limit for the DCA



Lead MA to complete binder set-up form

Step by step

Step 6: Set up DCA payment account in Vitesse

Sets up payment accounts



6 Vitesse proceeds with setting up the payment account for DCAs to process claims in FCP

Vitesse use the latest binder information provided to establish the payment accounts on the platform.



Vitesse will proceed with setting up the payment accounts associated with each binder section so that DCAs can process claim payments



The payment accounts will be linked to their respective syndicate funding accounts via '**UMR**', '**YOA**', '**Section ID**', '**Signed Lines**' and '**Syndicate Number**'



New payment accounts will be established with a balance of '0', and set by '**UMR**', '**YOA**', '**Section ID**' and '**Syndicate Number**'



During account creation, Vitesse will assign an administrator provided by the DCA against the payment account/s and assign the relevant user controls and access rights based on the tasks the DCA will need to perform

Step by step

Step 7: Notification of set-up completion

Sets up payment accounts



7 Vitesse informs the DCA that the payment account has been set up for processing claims payments on the binder

Vitesse set up FCP payment account



Once the payment account has been fully set up, Vitesse will notify the DCA, all MAs and brokers



Set up complete

MA and DCA to review set up for correctness

Step by step

Step 8: Determine additional funding requirement for the syndicate funding account and top up if required

Transfer funding to syndicate account in Vitesse



8 Lead MA and Follow MA determines whether additional funding is required in the syndicate funding account in Vitesse

Determine additional funding requirement for the syndicate funding account and top up if required



If additional funding is required, the MA should transfer the funds to their syndicate funding account



Once the funds have been transferred, MAs will be notified via Merchant Liquidity notifications within Vitesse (if these have been enabled) that the account has been successfully topped up



The MA should also consider if their funding thresholds need to be adjusted



MA finance teams can set up rules to automatically assign ARCS replenishments to aid reconciliation by using the ledger posting details from their Early Settlement Advice notice which will be sent by Lloyd's STFO and includes the tab number

Step by step

Step 9: DCA records binder to be processed via FCP

Record



9 DCA records binder to be processed via FCP

DCA to record binders and process claims payments



The DCA should subsequently record that the binder will use FCP to process claims payments – it is the DCAs decision how best to record this

Step by step

Step A: Reconciliation of Loss Fund

Informed that accounts set up



A Once all outstanding payments have been met, final reconciliation against Loss Fund completed,

Final reconciliation of the Loss Fund Account



The MA and DCA agree the reconciliation position of the active loss fund, taking into account any un-cashed funds that may be outstanding



Once the transition to FCP has occurred and the reconciliation agreed, it is recommended that the lead MA instruct the broker to carry out the repatriation of the remaining loss fund amounts

Step by step

Step B: DCA Closes Account

Informed that accounts set up



B DCA closes account and repatriates the funds to the broker

Account closure



The broker will request the DCA to transfer the required amount from the loss fund to the broker trust account; once this is completed, and if the account is at a zero balance, the DCA can close the account

Step by step

Step C: Broker Processes Loss Fund

Informed that accounts set up



C Broker process via DXC

Process Loss Fund



The broker should enter an ECF transaction against the relevant loss fund UCR to initiate the return of the funds to the MA(s)

Best Practice

Transfer of an active binder best practice



MAs should identify suitable binders to transfer and validate with DCAs that there are no existing reconciliation issues/errors ahead of the transfer



All MAs and DCAs and brokers, that are listed on any binders being transferred onto FCP must first be fully onboarded onto the FCP platform



The FCP transition date must be clearly communicated to all parties working on the binder to ensure payments are made through the correct mechanism



FCP clause must be included in the binder contract by the broker. Likewise, the lead MA must ensure the DCA agreement on the binder reflects the decision to use FCP



Brokers must flag the binder as 'FCP' and confirm the accuracy of section information and signed line splits before sharing the binder details with Vitesse

Lloyd's FCP BAA and DCAA Endorsements

The LMA's DA Wordings Group has published endorsements to the Binding Authority Agreement (BAA) and Delegated Claims Administration Agreement (DCAA) for use where all parties to the BAA or DCAA are contracted with Vitesse and have agreed to use the FCP solution, so that data in relation to claims payments can be shared with Vitesse when FCP is used.

The BAA Endorsement will give the lead the authority to approve the transfer of data to Vitesse on behalf of the follow market(s).

These endorsements should therefore be attached to all BAAs and DCAAs on which FCP is to be used.

Download the wording for the Endorsements at https://www.lmalloyds.com/LMA/News/LMA_bulletins/LMA_Bulletins/LMA22-030_PK.aspx

End

Faster Claims Payment

