

FCP: Guidance for bdx incorrectly processed as 'cash'

Does 'Cash' or 'Non-Cash' matter?

With traditional loss funds, the monthly claims bdx is processed via Velonetic's Central settlement service as a 'Cash' payment. This ensures funding is moved from the Syndicate Trust Funds to the broker, for them to pass on to the DCA as a top-up of their loss fund.

In FCP, funding is pulled directly from Syndicate Trust Funds. This means that there is no cash top-up needed and payments to the broker must not be triggered when the bdx is submitted to Velonetic. To prevent this, all FCP Claims bdx must be processed by Velonetic as 'Non-cash'.

How does it go wrong?

Although rare, there are instances where FCP bdx are incorrectly processed as 'Cash' – leading to the broker receiving an unnecessary payment. There are 3 errors that can cause this:

- 1) Broker Claims Technician does not add "Non-Cash FCP Bdx Month" in the broker narrative, when uploading the bdx into Broker CLASS (Claims Data Entry: Narrative section).
- 2) Lead MA Claims Handler does not add "FCP Non-Cash" in the narrative (Private Comments) when approving the bdx in ECF.
- 3) A technical error occurs when Velonetic are carrying out the processing of the bdx in XCS CLASS.

This guidance is to help MAs, Brokers and DCAs create processes that can easily identify and remedy incorrect Cash payments. All MAs, Brokers and DCAs are encouraged to discuss this guidance now within their Finance, Ops and Claims teams – even if they have never experienced an incorrect payment. Any 3rd party externals who may process bdx should be included in these discussions. This document is offered as guidance only and all users should follow the agreed internal processes for their own organisation.

Is prevention better than cure?

The best method of dealing with incorrect payments is to prevent them occurring, so all FCP users are strongly encouraged to complete FCP Training Module 8 which explains how Brokers and Lead MAs can correctly include 'FCP Non-cash' in their narratives.

How is an incorrect Cash Payment spotted?

If a payment is incorrectly processed as cash, this may be noticed by either the Lead MA or Broker. If the payment is transferred by the broker to the DCA, then they may also notice that the incorrect payment, as top-up funds will have been received for a binder held in FCP.

Brokers: Broker Finance teams may notice a received payment that they weren't expecting and can't apply to a traditional loss-fund, as there is no loss fund setup for the relevant UMR/Section. Any payment linked to a UMR/Section that is held in FCP is likely to have been made in error.

Lead/Follow MA: MA Finance teams may notice an unexpected payment out of their Trust Fund. The easiest way to do this is to run a periodical check of cash USMs for any FCP binders. Alternately, an end of month reconciliation, including the *FCP Financials Overview Report*, of non-cash USMs will identify discrepancies which occur due to incorrectly processed cash USMs.

DCAs: DCAs should suspect an error if they receive a cash payment from a broker for any UMR/section that is held in FCP. i.e. Where the DCA does not hold a traditional loss fund.

How are incorrect Cash Payments resolved?

MAs and Brokers may already have internal processes for resolving incorrect cash payments, as these can already occur outside of FCP. **This guidance does not override any company's internal processes. FCP users should always ask their management team for advice.**

Brokers: Broker teams should:

- 1) Ensure relevant internal stakeholders are aware across Finance and Claims teams.
- 2) Stop any funds being forwarded to the DCAs. If funds have been sent to the DCA before they were identified as incorrect cash payment, these funds must be recovered from the DCA.
- 3) Contact the Lead MA for the relevant UMR. Vitesse can provide contact details if needed.
- 4) If appropriate, inform Velonetic. This should be done in any instance where the error appears to be due to Velonetic processing.
- 5) Arrange for a reversal of the signing via CLASS, to ensure funds are returned to all Syndicates on the UMR.
- 6) Confirm with Lead MA that funds have been returned.
- 7) Resubmit the BDX in XCS Class, ensuring that it is correctly marked as "FCP non-cash".
- 8) Consider a short 'lessons learnt' to try and prevent re-occurrence or improve resolution process.

Lead MAs: Lead MA teams should:

- 1) Ensure relevant internal stakeholders are aware across Finance and Claims teams.
- 2) Contact the Broker and Follow MAs for the relevant UMR. Vitesse can provide contact details if needed.

- 3) If appropriate, inform Velonetic. This should be done in any instance where the error appears to be due to Velonetic processing.
- 4) Work with the broker to arrange a reversal of the signing, and a return of funds to all Syndicates on the UMR.
- 5) Confirm with all stakeholders once funds have been returned.
- 6) Consider a short 'lessons learnt' to try and prevent re-occurrence or improve resolution process.

Follow MAs: Follow MA teams should:

- 1) Raise any suspected error with all relevant internal stakeholders, so that both Finance and Claims teams are aware.
- 2) Contact the Lead MA for the relevant UMR. Vitesse can provide contact details if needed.
- 3) Ask the Lead MA to confirm that Velonetic and the broker are aware.
- 4) Work with the Lead MA to arrange return of funds to all Syndicates on the UMR.
- 5) Confirm with all stakeholders once funds have been returned.
- 6) Consider a short 'lessons learnt' to try and prevent re-occurrence or improve resolution process.

DCAs:

- 1) Ensure relevant internal stakeholders are aware across Finance and Claims teams.
- 2) Isolate the funds, so that they cannot be used for any settlement of claims.
- 3) Contact the broker and Lead MA for the relevant UMR. Vitesse can provide contact details if needed.
- 4) Work with the broker to arrange a return of the funds to the broker.
- 5) Confirm to all stakeholders once funds have been returned.
- 6) Consider a short 'lessons learnt' to try and prevent re-occurrence or improve resolution process.

How can Velonetic be contacted?

All Brokers and MAs are likely to already have a dedicated contact at Velonetic/DXC who can assist with operational level issues. These existing contacts should be used in first instance. If needed, the central DXC mailbox can be used: service.centre@dx.com.

Is further help available?

For further information, or to suggest amendments to this guidance, contact ServiceDesk@LIMOSS.London