

MARKET BULLETIN

From	Andy Brookes and Matthew Chandler
Date	9 th December 2005
Reference	Y3696
Subject	Quality Assurance Checking for Lloyd's Documentation
Subject areas	Update of the binding authority QA Tool Update of the open market QA Tool
Attachments	None
Action points	Staff involved in the preparation and placement of slips, contracts and policies to understand the changes made to the QA Tools and use these to check contract quality before firm lines are committed, and prior to submission of documents to XIS.
Deadlines	Effective immediately

Introduction and purpose

The purpose of this bulletin is to announce the publication of the latest releases of the:

- Binding Authority QA tool (release 3)

and

- Open Market QA tool (release 2).

Both are dated 9th December 2005 and are applicable to all Lloyd's business with immediate effect.

These QA tools are to assist brokers and underwriters in forming contracts which comply with Franchise requirements, and in producing accurate, clear and comprehensive insuring documentation. The QA tools can be accessed via the following link: www.lloyds.com/qatools and will be available for market use from 12th December 2005.

For each QA tool there is now an accompanying PowerPoint user guide to help underwriters and brokers use the Excel workbooks to best effect.

What has changed?

For binding authorities

The principal changes in the updated binding authority QA Tool are summarised below:

General 1.002 – 5 additional check categories have been provided to break down the existing general 1.002 check:

- allowing XIS to raise B & C grade general queries (rather than all A grade);
- moving 'slip content in the wrong place' to its own separate A and C grade queries;
- moving 'attachments not referred to' to an existing separate A grade query;
- moving 'completeness of page numbering' to a separate A grade query;
- XIS has also been reminded to make proper use of existing query categories (e.g. panel 1, currency and LPAN errors).

Signing & dating – the coverholder must sign and date and the lead underwriter must sign (or scratch) and date the contract (to acknowledge the coverholder's signature), or it will be rejected at grade A. All other timing or clarity of title queries have been reduced to grade C queries (under 2 new check categories).

Signing schedule – XIS has resumed production of the signing schedule, and this check is therefore deleted. Brokers therefore no longer need to submit a signing schedule to XIS.

Relocating slip checks – 16 slip checks have been relocated from level 4 (wording level) to level 2 (slip level) to reflect better the nature of the checks. This has the effect of removing 96 checks from level 4.

Master binding authorities – a new check has been added to ensure that the terms and conditions of any binding authority issued off a master binding authority must not be wider than the master binding authority.

International Requirements – certain checks have been reviewed for some key territories (mainly Canada and USA), resulting in 35 new territorial level checks and 4 new slip level checks. These aim to clarify the position on specific matters and address questions and queries from the market and XIS.

For open market business

The open market QA tool has had 43 changes applied. These are predominately points of clarification or minor corrections.

All changes are identified within the 'Changes' worksheet within each QA workbook and take account of market and XIS feedback in respect of the operation and content of the QA Tool.

Action Required

Please make sure that all staff involved with the preparation and placement of slips are made aware of these changes and use the updated QA tools. Proper use of the QA Tool as a checklist to quality check contracts prior to submission to XIS will reduce rejection rates and thus lower costs for all and improve service quality.

To illustrate the point, overall XIS rejection rates for **binding authorities** fell from 52% in January 2005 to 32% in September 2005 and first time rejection rates fell from 35% to 16% in the same period. These rejection rates can be reduced further and, in particular, the second/multiple rejection rates (16% in September 2005) can be eliminated altogether.

Lloyd's Franchisor Quality Standards

The checks listed in the QA tools are quality standards which need to be observed to safeguard Franchise assets – the brand, the central fund, and the international network of licences. The QA tools include (and in some cases provide further detail of) the standards set out in the contract certainty checklist published in October 2005.

The checks should be executed as early as possible during the placing process. The leading syndicate on each slip should take responsibility for ensuring all applicable QA checks are carried out before writing a firm line. Following underwriters should satisfy themselves the QA checks have been carried out and that the slip is compliant with the standards. Brokers can greatly facilitate this process by using the QA tools and applying checks when preparing placing slips and supporting documentation.

Under contract certainty principles, slips should be fully claused, either by attachment or by reference to recognised model wordings and supporting clauses. Checking of such a slip in accordance with the standards set out in the QA tool must be carried out before firm lines are written.

In order to monitor the progress being made in improving the quality of Lloyd's contracts and documentation, XIS are continuing to pass data from post placement checking to the Franchisor each month, for analysis to determine weak areas that need improvement and identify those managing agents and brokers who may need further guidance or assistance. We expect XIS to adopt fully the open market standards early in 2006, so that the same progress can be made as achieved for binding authorities in 2005.

Future Development of the QA Tools

Lloyd's will review the binding authority QA Tool again in the first quarter of 2006 in order to make it more intuitive and aligned to the business process. This will include a review of the relevance of all standards and the most appropriate format and media for the tool, in partnership with the LMBC and LMA. The target re-issue date is 31 March 2006.

User feedback has indicated that improved ease of criteria selection to tailor the checks per risk would be beneficial. In addition, sequencing or grouping of the checks to follow the flow of slip and policy information would also be useful.

Enquires and Feedback

An email address is available for market practitioners to use to lodge any questions, issues or feedback on the QA tool. The address is QAtoolsenquiries@lloyds.com
The web page also contains contact names and telephone numbers for any practitioner who wishes to discuss the QA Tool in general, or any of the checks listed.

This bulletin is being sent to Active Underwriters, Lloyd's brokers, Managing Agents, Compliance officers and Market Associations.

Andy Brookes
Head of Market Reform Programme Office

Mathew Chandler
Head of Admissions