

Delegated Authority Claims

Guidance for Managing Agents and DCAs including
Faster Claims Payments readiness

June 2022

The
Future
at
Lloyd's

Managing Agent guidance

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Delegated Authority: Managing Agent (MA) Guidance

- This guidance sits alongside the Principles for Doing Business setting the expectations for claims management through third party service providers and third-party experts to deliver that high quality, prompt and fair claims service and which support more cost-effective claims management solutions
- This seeks to define what is expected from an MA for improved DA claims management; to operate efficiently against best practice and is relevant to the current loss fund model in preparation for the adoption of the Faster Claims Payment interim solution as part of the Future at Lloyd's activity.
- This guidance aims to improve both the collaboration between MAs and their DCAs and for the consistency and efficiency of claims management. This does not override the requirements within the claim delegation agreements between the DCA and MA.

MAs should provide adequate funding for a DCA to pay claims, from the inception of the binder and on an ongoing basis

Business Outcomes delivered:

- Customers receive their claim payment quickly after agreement is communicated to the customer
- Providing surge funding to the DCA in an efficient manner preventing customer dissatisfaction

In readiness for Faster Claims Payment:

- DCAs will have access to MA funds to pay claims directly from centralised MA funding accounts, without the dependency on individual loss funds.

MAs should work with DCA(s) and Broker(s) to ensure accurate bordereau data is submitted for processing on a monthly basis

Business Outcomes delivered:

- Each bordereau meets the quality standards expected under the current version of the Coverholder Reporting Standards avoiding confusion, queries or rework further downstream in the process.
- ECF query function is kept to those relating to accuracy of the claims movements whether for payments, reserves, or both, avoiding backlogs and delays to funding in the current loss fund model. Non-essential queries can be handled directly with the DCA

In readiness for Faster Claims Payment:

- The DCA is strongly recommended to provide submission of the BDX as early as possible after the close of the month's activities, ideally within the first four working days to avoid any delays in downstream processing and monthly reconciliation, however this should be agreed between the MA and DCA initially.
- DCAs are strongly encouraged to use FCP through an API into the Vitesse solution; this is to eliminate monthly cash reconciliation issues downstream. Creation of this API will move the DCA forward into the full digital solution over time under the joint venture

Delegated Authority: Managing Agent (MA) Guidance

MAs should continue to monitor their DCA(s)' performance through appropriate oversight

Business Outcomes delivered:

- Appropriate governance structures are employed to manage the oversight of the claims delegation to a third party ensuring DCAs continue to perform at a high standard
- Regular assessment of claims performance and customer outcomes, using both data and qualitative assessment, and identifying and tracking opportunities for improvement, ultimately enhancing the overall policyholder experience

In readiness for Faster Claims Payment:

- MA focus on DCA performance: appropriate management of loss funds, reconciliation of payments made to beneficiaries against payments reported in the BDX, use of correct BDX standards, timely payment of claims to policyholders

MAs should work with their DCA(s) to review loss funds and ensure they can be reconciled

Business Outcomes delivered:

- A regular review to look at the level of claims funding of delegated business, using the claims experience contained within BDX in the prior 12 months, adjusting (where necessary) to ensure the continued provision of funds for claim payments
- Completion of the above review is a critical part of FCP adoption so that loss funds can be returned in whole or part to the MAs following that review and so that loss fund entries in the market systems reduced to the new level or closed completely.

In readiness for Faster Claims Payment:

- MAs will have the loss fund to a reconciled position prior to transition to the FCP model. There should be no significant accounting errors or discrepancies on the last BDX, nor outstanding or voided claim payments - providing a clean starting position for Faster Claims Payments, avoiding complications in tracing errors across two payment models.
- MAs should coordinate with their DCA(s) to agree a plan to return the loss funds back to the MA and ensure the loss fund is closed appropriately.

Delegated Authority: Managing Agent (MA) Guidance

Additional guidance in readiness for Faster Claims Payment:

- **MA's should work with the DCA to ensure binders are suitable to onboard onto FCP:** The onboarding and adoption approach for Faster Claims Payments has been designed to enable testing and embedding of the new processes. As such MAs should consider the following criteria for initial use of FCP: **Singleton business, from the 2022 year of account and prior years back to 2018**, ensuring BDX are in line with current version of the Coverholder Reporting Standards and where the monthly cycle progresses with little to no queries. All claim payments on these binders must be able to be made by e-cheques or bank transfer. Subscription and co-lead binders can be onboarded as more market participants adopt FCP. **At this point in time LIC contracts remain out of scope initially.**
- **Using the current recommended binder criteria approach above MA's** will have a controlled transfer of loss funds held with DCAs across the market and the ability to reduce upfront capital requirements on the establishment of new binders. As you prepare to onboard with FCP you will also be able to focus on inactive funds that need to be returned in full and closed.*
- **MA's should ensure their impacted stakeholders are aware of FCP and are involved in the onboarding process:** Nominating a lead for onboarding and embedding of FCP, ensuring adequate training has been conducted and materials are reviewed and establishing collaboration between Claims, Finance, Operations and Underwriting around FCP will smooth the transition from the current loss fund model to the new FCP processes.
- **MA's should ensure the DCA and Broker is well engaged and informed on FCP:** The Future at Lloyd's adoption team will support communications and training for market participants, however as an MA selects a binder for onboarding to FCP, ensuring MA collaboration with the associated DCA and Broker will support adoption.

**To assist MAs there are services providers in the marketplace supporting loss fund repatriation activity.*

Delegated Claims Administrator guidance

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Delegated Authority: Delegated Claims Administrators (DCA) Guidance

- This guidance seeks to define what is expected from an DCA for improved DA claims management and to operate efficiently against best practice and is relevant in the current model of loss funds and in preparation for the adoption of the Faster Claims Payment solution as part of Future at Lloyd's
- It is grounded in the critical importance of the provision of right first time and accurate information flows into the market infrastructure to support efficient processing, minimize the number of queries and avoid delays
- As DCAs, the accuracy of monthly bordereaux data will be under greater scrutiny and accuracy will directly impact the new funding model and market accounting process. You will see the status of bordereaux progress via the DA Claims Status Tracker; tracking Broker and MA approval and facilitating the transition into monthly accounting.

DCAs should have a payment process in place that will enable it to pay agreed claims to policyholders without delay

Business Outcomes delivered:

- Prompt payment of agreed claims providing a positive policyholder experience
- Impact from a delayed payment to the Lloyd's brand for customer harm or frustration reduces through prompt payment

In readiness for Faster Claims Payment:

- DCAs will have access to MA funds to pay claims directly from centralised MA funding accounts
- Dependency on the individual loss fund is removed.
- Payments delays related to insufficient money being available in the loss fund will no longer exist

DCAs should produce BDX to the correct current standard in line with contractual obligations

Business Outcomes delivered:

- Each bordereau meets the quality standards expected under the current version of the Coverholder Reporting Standards avoiding confusion, queries or rework further downstream in the process.

In readiness for Faster Claims Payment:

- The DCA is strongly recommended to provide submission of the BDX as early as possible after the close of the month's activities, ideally within the first four working days to avoid any delays in downstream processing and monthly reconciliation, however this should be agreed between the MA and DCA initially.

Delegated Authority: Delegated Claims Administrators (DCA) Guidance

DCAs should be able to demonstrate they can reconcile payments made to beneficiaries against payments reported in the BDX when requested

Business Outcomes delivered:

- Accurate and timely submissions of reserves and payment providing an appropriate accounting position for the MA at regular intervals
- Improvements to this process can be actioned through regular reviews to highlight discrepancies.

In readiness for Faster Claims Payment:

- DCA fees should be accounted for within the same monthly period in which a BDX is processed to simplify the monthly reconciliation process
- DCAs will be required to successfully complete reconciliation between the Vitesse cashbook and the BDX and demonstrate completion to their MA. This is to provide confidence in the DCA-provided BDX prior to it being submitted downstream to accounting and finance
- DCAs are strongly encouraged to use FCP through an API into the Vitesse solution; this is to eliminate monthly cash reconciliation issues downstream. Creation of this API will move the DCA forward into the full digital solution over time under the joint venture

DCAs must be able to demonstrate they can manage the loss fund correctly

Business Outcomes delivered:

- Periodic and regular reviews of the funds ensuring the fund value is set appropriately; timely escalation to MAs for shortfalls and reduction in delays
- The DCA should be able to fully reconcile all financial transactions in any given reporting period

In readiness for Faster Claims Payment:

- DCAs should ensure the loss fund is in a reconciled position prior to transition to the FCP model. There should be no significant accounting errors or discrepancies on the last BDX, nor outstanding or voided claim payments. This provides a clean starting position for Faster Claims Payments and avoids complications in tracing errors across two payment models.
- MAs should coordinate with their DCA(s) to agree a plan to return the loss funds back to the MA

Delegated Authority: Delegated Claims Administrators (DCA) Guidance

Additional guidance in readiness for Faster Claims Payment:

- **DCAs should be able to differentiate FCP and non-FCP binders:** DCAs will still need to produce accurate BDX for both FCP and non-FCP contracts in the immediate future. If a binder is an FCP binder, payments should be requested via the Vitesse FCP payment portal (or via API into Vitesse from the DCA claims platform) otherwise there is a risk of incorrect payment to the beneficiary and the cash book for monthly activity will not reconcile properly causing downstream technical processing and reconciliation issues. Non-FCP binders and BDX still need to remain in line with the current version of the Coverholder Reporting Standards.
- **DCAs should be competent using Vitesse and have an ongoing capability to train their staff and retain the knowledge:** Nominating a lead for onboarding and embedding of FCP, ensuring adequate training has been conducted and materials are reviewed, and establishing collaboration between Claims, Finance, and Operations around FCP will smooth the transition from the current loss fund model to the new FCP processes. DCAs should then continue to ensure that the business is appropriately resourced to meet demands on a regular basis.
- **DCA's early establishment of an API from their claims system to Vitesse will produce immediate and important reconciliation benefits** for the downstream processing of payments made through Vitesse that are included within the monthly BDX. Investing time and resource to this early establishment paves the way to the future DA model for claims. In the shorter term giving improved validated and reconciled data from source.
- **Using the current recommended binder criteria approach - singleton business, from the 2022 year of account and prior years back to 2018 - MAs** will have a controlled transfer of loss funds held with DCAs across the market and the ability to reduce upfront capital requirements on the establishment of new binders. As you prepare to onboard with FCP you will also be able to focus on inactive funds that need to be returned in full and closed.