

# Lineage Outline

**User Manual**  
October 2016

## Disclaimer

The communication of information in this document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. In particular, the contents and / or subject matter do not constitute an offer of information, products or services to US persons or in the United States, or in any other jurisdictions where such an offer may be unlawful.

Furthermore, the attached communication does not represent a prospectus or invitation in connection with any solicitation of capital. Nor does it constitute an offer to sell securities or insurance, a solicitation of an offer to buy securities or insurance, or a distribution of securities in the United States or to a US person, or any other jurisdiction where it is contrary to local law. Such persons should inform themselves about and observe any applicable legal requirement.

No responsibility of liability is accepted by the Society of Lloyd's, the Council, or any Committee of Board constituted by the Society of Lloyd's or the Council or any of their respective members, officers, or advisors for any loss occasioned to any person acting or refraining from action as a result of any statement, fact, figure or expression of belief contained in this document or communication.

The views expressed in the paper are Lloyd's own. Lloyd's provides the material contained in this document for general information purposes only. Lloyd's accepts no responsibility, and shall not be liable for any loss which may arise from reliance upon the information provided.

# Contents

<b>1</b>	<b>Basic facts</b>	<b>5</b>
1.1	What is Lineage?	5
1.2	What are the benefits of processing business through Lineage?	5
<b>2</b>	<b>Description of services</b>	<b>7</b>
2.1	Administration	7
2.2	Eligible business	7
2.3	Settlement services	7
2.4	Other services	8
<b>3</b>	<b>Procedures and responsibilities</b>	<b>10</b>
3.1	Basic business process	10
3.1.1	Binding Authority creation	10
3.1.2	Monthly business reporting cycle	10
3.2	Processing of business	11
3.3	Reconciliation	12
3.4	Data entry	12
3.5	Above Authority Claims	13
3.6	Advances and Advance Reclaims	13
3.7	Settlement	13
3.8	Means of Settlement	14
3.9	Credit control	14
3.10	Third Party Claims Administrators	14
3.11	Following Underwriters	15
3.12	Change of Lloyd's Broker	15
3.12.1	Change from the current Lloyd's Broker (ceding to another Lloyd's Broker (acquiring)	15
3.12.2	Change/Addition of a Lloyd's Broker number within a Lloyd's Broker organisation	15
3.12.3	Lloyd's Broker in Liquidation	16
<b>4</b>	<b>Frequently asked questions</b>	<b>17</b>
4.1	How do I settle?	17
4.2	What action will be taken if a settlement is paid after the settlement date?	17
4.3	Why don't my records of business reported to Lloyd's Canada reconcile with the Accounting & Settlement bordereaux?	17
4.4	Why have I not received settlement despite my Coverholder reporting premiums and claims?	17
4.5	How long will it take to obtain an advance/loss fund?	18
4.6	Why do I have to report such a large amount of data to Lloyd's Canada?	18
4.7	Why do my signing messages not reconcile with the statistics I receive from Lloyd's Canada?	18
4.8	Where can I find out more information?	19
<b>5</b>	<b>Glossary</b>	<b>20</b>
5.1	Accounting Reports	20
5.2	Cash flow history and projections	21
5.3	Statistical reports	21
5.4	Claims Advances/Loss Funds	21
5.5	Automobile Pool	21
5.6	Industry Assessments	22
5.7	Premium Payment Plan (PPP)	22

<b>Appendix 1</b>	<b>23</b>
Part A – Preliminary	23
1. Citation and interpretation	23
Part B – Insurance Services	23
2. Provision of services	23
Part C – Accounting & Settlement	24
3. Accounting & Settlement	24
4. Demand and collection of moneys	24
5. Establishment of bank accounts	24
6. Currencies	25
7. Advice and accounting of A&S transactions	25
8. Settlement of A&S transactions	25
9. Settlement dates	26
10. Settlement information statements	26
11. Obligation to fund settlements	26
12. Wrongful and unpaid credits	27
13. Default declarations	27
14. System transactions involving defaulters	28
15. General saving relating to default	28
16. Termination of the A&S	28
17. Exclusion from participation in the A&S	28
18. Saving of rights on termination or exclusion	29
Part D – Information	29
19. Provision of information	29
20. Storage and distribution of information	29
21. Confidentiality of information	29
Part E – Miscellaneous and General	29
22. Power of LCI to prescribe changes	29
23. Regulations, codes of practice and manuals	30
24. Power to enter into agreements, etc.	30
25. Variation of services	30
26. Service of notices	30
27. Liability	31
28. Records/Determinations	31
29. Compliance with laws	31
30. Force Majeure	32
31. Commencement and transitional provisions	32
Schedule	32

# 1 Basic Facts

## 1.1 What is Lineage?

Lineage (Lloyd's Information Exchange) , an on-line system for the reporting and settlement of Canadian dollar binding authority business, is comprised of three major components-Insurance Reporting, Business Intelligence and Accounting & Settlement (A & S).

**Insurance Reporting** allows parties to an eligible binding authority contract to input and/or review and adjust transactional and other contract related data directly through the Lloyd's Canada Portal. By putting the party that is the source of a particular piece of information in charge of its entry, Lineage improves the quality and accuracy of data. In addition, enhanced validation controls strengthen the integrity of the Lineage database of policy and claims records.

The **Business Intelligence** feature allows stakeholders to monitor their written business, determine if binding authority contract limits are being respected and extract transactional risk and claim level detail as well as in-force data based on the parameters they choose.

Lineage's Accounting & Settlement is a clearing service providing for the settlement of premiums, paid claims, claims advances and reclaims and Miscellaneous Insurance Transactions related to Canadian dollar binding authority premiums. As a transaction is created in Insurance Reporting it is sent in real time to A & S where it is allocated, in accordance with the applicable terms of trade, to the appropriate eligible settlement parties:

- Lloyd's Underwriters
- Lloyd's Brokers
- Canadian Coverholders
- Third Party Claims Administrators (TPA)
- Canadian policyholders using the **Premium Payment Plan (PPP)**
- Lloyd's Canada

Like Lloyd's Central Accounting, Accounting & Settlement aggregates a series of transactions between the various participants into a single net settlement with each. Thus an Underwriter receives one settlement in respect of all relevant A&S binders from all related Coverholders, whilst a Coverholder pays a single amount to Lloyd's in respect of all their Accounting & Settlement contracts, irrespective of Lloyd's Broker. Settlement occurs on a monthly or daily basis (currently only **claims advances** are settled daily). Accounting & Settlement is tied in to the Lloyd's advising system through links to Xchanging systems.

The procedures of Accounting & Settlement are binding on participants under Lloyd's bylaws and the undertaking signed by the Canadian Coverholder.

## 1.2 What are the benefits of processing business through Lineage?

Underwriters will benefit from Lineage's enhanced control environment which facilitates their compliance with the operational and monitoring obligations under Canadian law and the "Managing Agents Code of Practice for Delegated Underwriting" dated September 2009. Particular features include:

- Integrity of data-robust validation of Lloyd's business rules eg
  - Coverholder is authorised to write business class
  - Policy is within Binding Authority period
  - Claim is on a reported policy and coverage and within policy period
- Standard data elements including mandatory fields

- Alignment with Lloyd's initiative for standard bordereau format (Commercial and Habitational)
- Standard format monthly reporting including:
  - Premium and Claims Bordereaux
  - Statistical reports
- A suite of Business Intelligence reports
- Settlement to Coverholder/TPA of above authority claims only with Underwriter/Xchanging approval
- Claims control – above authority, advances, ability to set reclaim dates
- Settlement direct from Coverholder to Lloyd's trust accounts
- Settlement certainty – terms of trade enforced
- Regulatory reporting and accounting splits
- On-line access to Binding Authority, policy and claims information
- Full audit trail between reported and settled policies (assist anti-fraud measures)
- User support through the Lloyd's Canada Contact Centre
- Caters for contracts where claims handled by Third Party Claims Administrator
- Reduced duplicate/triplicate entry (Coverholder, Lloyd's Broker, Syndicate)
- Reduced operational costs –including signing costs-, banking charges, duplication of effort
- Facilities for the upload of Commercial policy data from a Coverholder's own system to Lineage and the download of policies and claims to a Coverholder's system from Lineage.
- Continuity of service in event of Lloyd's Broker insolvency
- IT systems supported by rigorous disaster planning

There is not a cost- to Underwriters, Lloyd's Brokers or Coverholders for use of Lineage **except** where it is agreed that data entry work will be performed by Lloyd's Canada.

## 2 Description of Services

### 2.1 Administration

Lineage is administered by Lloyd's Canada Inc and its outsource service supplier, TELUS.

### 2.2 Eligible business

Lineage handles Canadian binding authority business written in Canadian dollars where the lead Underwriter has approved its use. There is currently no facility for handling such business denominated in other currencies. There may be some restrictions on the type of signing arrangements that can be handled due to systems constraints (details of these restrictions can be confirmed with Lloyd's Canada).

### 2.3 Settlement services

Accounting & Settlement handles the following financial transactions:

Transaction	Counterparty
<i>Monies owed to Underwriters</i>	
Premiums (inclusive of premium tax)	Coverholders
PPP premiums	Policyholders
Industry assessments	Automobile Pool
Miscellaneous Insurance Transactions	Coverholders/Lloyd's Brokers/TPAs
Advance Reclaims	Coverholders/Third Party Claims Administrators
<i>Monies owed by Underwriters</i>	
Claims	Coverholders/Third Party Claims Administrators
Claim advances	Coverholders/Third Party Claims Administrators
Industry assessments	Automobile Pools
Miscellaneous Insurance Transactions	Coverholders/Lloyd's Brokers/ Third Party Claims Administrators
<i>Monies owed to Coverholders</i>	
Commissions	Underwriters/Automobile Pool
Claims	Underwriters
Claim advances	Underwriters
Miscellaneous Insurance Transactions	Underwriters
Sales tax on PPP business	Policyholders

Transaction	Counterparty
<i>Monies owed by Coverholders</i>	
Premiums	Underwriters
Automobile Pool premiums	Automobile Pool
Advance Reclaims	Underwriters
Claims (recoveries, subrogations)	Underwriters
Miscellaneous Insurance Transactions	Underwriters
<i>Monies owed to Third Party Claims Administrators</i>	
Claims	Underwriters
Claim advances	Underwriters
Miscellaneous Insurance Transactions	Underwriters
<i>Monies owed by Third party Claims Administrators</i>	
Advance Reclaims	Underwriters
Claims (recoveries, subrogations)	Underwriters
Miscellaneous Insurance Transactions	Underwriters
<i>Monies owed to Lloyd's Brokers</i>	
Brokerage	Underwriters
Miscellaneous Insurance Transactions	Underwriters
<i>Monies owed by Lloyd's Brokers</i>	
Miscellaneous Insurance Transactions	Underwriters
<i>Monies owed to Corporation of Lloyd's</i>	
PPP Administration fees	Policyholders
<i>Monies owed to Automobile Pools</i>	
Pool Premiums	Coverholders

## 2.4 Other services

Using the information provided for A&S settlement, Lloyd's Canada provides the following additional services:

- Meets Canadian and Lloyd's compliance reporting requirements
- Secure on-line reporting and viewing of Binding Authority, claim and policy information



- Validation of policy and risk information against binding authority terms
- Validation of claim information against binding authority and policy risk and coverage terms
- Automobile Pool and industry assessment administration
- PPP administration
- Statistical and management reporting

## 3 Procedures and Responsibilities

### 3.1 Basic business process

#### 3.1.1 Binding Authority creation

	Step	How	Responsible Party(ies)
1	A binding authority is placed.	Negotiation	Underwriter, Lloyd's Broker, Coverholder
2	Lloyd's Canada and Coverholder are advised through portal notification that a binding authority has been placed and will be processed through Lineage Accounting & Settlement. (Coverholder reporting can and should begin immediately.)	On-line Lineage input	Lloyd's Broker
3	The binder is processed through Xchanging and a FDO Signing Number and Date is allocated.	Xchanging	Xchanging, Lloyd's Broker
4	Signing information is sent to Lloyd's Canada which allows settlement to take place.	Electronic file transfer	Xchanging

#### 3.1.2 Monthly business reporting cycle

	Step	How	Responsible Party (ies)
1a	Coverholder reports premiums data <sup>1</sup> - including PPP & Automobile Pool.	On-line Lineage input or Commercial Policy upload	Coverholder
1b	Transaction is posted in real time to Lineage Accounting & Settlement	System interface	Lloyd's Canada
2a	Coverholder or Third Party Claims Administrator reports claims data including PPP & Automobile Pool.	On-line Lineage input	Coverholder, Third Party Claims Administrator
2b	Transaction is posted in real time to Lineage Accounting & Settlement	System interface	Lloyd's Canada
3a	PDF transactional bordereaux supporting monthly settlement generated.	Posted to Lineage - standard reports-PDF	Lloyd's Canada

<sup>1</sup> In accordance with Lloyd's Canada operating procedures, data will only be "accepted" if the Binding Authority base record has been created and activated by the Lloyd's Broker through Lineage. Settlement can only occur when the Xchanging file containing the signing details (Step 4 of "Creating an Accounting & Settlement Binding Authority") has been received by Lloyd's Canada.

	Step	How	Responsible Party (ies)
3b	PDF account management reports (summarising the bordereaux) generated.	Posted to Lineage - standard reports_PDF	Lloyd's Canada
3c	CSV files-reported and settled transactions-generated	Posted to Lineage-standard reports)CSV	Lloyd's Canada
3d	Risk and claim data extracts	Posted to Lineage Business Intelligence	Lloyd's Canada
4	Invoices (providing the monthly settlement figure) generated for Lloyd's Brokers and Coverholders.	Posted to Lineage A & S	Lloyd's Canada
5	Settlement and outstanding claims files transmitted to Xchanging.	Electronic file transfer	Lloyd's Canada
6	Review of account(s).	Per party internal procedures	Coverholder, Lloyd's Broker, Underwriter, Third Party Claims Administrator
7	USMs/SCMs sent to Underwriters.	Advising system	Xchanging
8	Settlement of the business pertaining to the monthly bordereaux (in accordance with terms of trade including commission, brokerage, allowances) on settlement day.	Per Binding Authority & Signing Information	Lloyd's Canada, Coverholder, Lloyd's Central Accounting

### 3.2 Processing of business

Coverholders and Third Party Claims Administrators (TPAs) submit their policy and claim information in accordance with their obligations via Lineage, either by on-line entry or, where applicable, via electronic upload. In exceptional circumstances, data entry may be performed by Lloyd's Canada (see 3.4. below).

This information can only be submitted once the Lloyd's Broker has created and activated the Lineage Binding Authority record.

Monthly premium and claims bordereaux are prepared based on transactions submitted. These PDF bordereaux are posted to the Lineage portal for Coverholders, TPAs, Lloyd's Brokers and leading Underwriters. These bordereaux normally remain on the Lineage portal for a period of 3 months, after which they are archived. Therefore it is important that Coverholders, TPAs, Lloyd's Brokers and leading Underwriters download a copy of the bordereaux to their own systems.

Expanded reporting and settlement information is provided in a downloadable csv format that is available to Coverholders, TPAs, Lloyd's Brokers, leading Underwriters and followers.

Data extracts available through Business Intelligence allow stakeholders to create an expanded version of a monthly bordereaux in Excel or csv formats.

Settlement of a bordereau month's transactions occurs in accordance with the terms of trade recorded by the Lloyd's Broker when creating or updating the Lineage Binding Authority record. Settlement normally occurs on the last banking day of the month.

It is important to note that settlement can only occur upon Lloyd's Canada's processing of the FDO details received from Xchanging.

### 3.3 Reconciliation

Transactional entries specified on Accounting & Settlement monthly bordereaux can differ from that shown in the Coverholder's own system. When data is input into the Accounting & Settlement system, either by Lloyd's Canada or by the Coverholder/TPA directly through Lineage, a number of validation checks are performed. The difference between Coverholder/TPA and Accounting & Settlement data could be due to these validation checks, although a number of other factors also contribute, such as:

- The late submission of premiums and claims data by the Coverholder/TPA to Lloyd's Canada
- The non-approval of above authority claim payments by the Claims Approver (Lloyd's Broker or singleton syndicate)
- The non activation of a policy in Lineage.

The monthly bordereaux only include transactions that meet all validation rules as prescribed by Lloyd's and that have, in the case of policy information, been activated. Above Authority claim payments are included only when the Lloyd's Broker has both obtained the required approval and indicated that approval has been obtained via Lineage. (In certain circumstances singleton syndicates have the ability to enter the Lineage approval).

It is the responsibility of the Coverholder/TPA to check bordereaux details, identify relevant issues and make the required corrections directly through Lineage. In addition, the Lloyd's Broker and participating syndicates have access to bordereaux details thorough Business Intelligence as well as through the continuously updated cash flow projections in A & S.

Lineage provides a number of tools to assist with reconciliation:

- Daily Coverholder/TPA Reconciliation files, posted to the portal Reports channel, containing all policy and claim transactions that have been accepted for the current and future bordereaux months.
- On-line search for pending Above Authority payments
- On-line search for policy information not yet activated.
- Accounting & Settlement's cash flow projections

The ultimate responsibility for the accuracy and quality of the data belongs to its owner.

### 3.4 Data entry

In exceptional circumstances, Lloyd's Canada may agree to perform data entry. This will be subject to the following terms and conditions:

- It will be subject to a user pay charge that will be collected via an Accounting & Settlement Miscellaneous Insurance Transaction. Lloyd's Underwriters may direct that it be cross-charged to the Coverholder/TPA.
- The service is one of data entry: what is provided will be entered as is. It is therefore predicated upon Lloyd's Canada's receipt of complete and accurate information in line with the Coverholder's obligation to provide such information under its Undertaking. Lloyd's Canada will not interpret any information received or seek clarifications from the originator of the submissions. Complete reporting requirements are contained in the manuals posted to the KnowledgeBase on the portal.
- Lloyd's Canada will use reasonable endeavours to ensure that all data for an accounting month will be entered for the specified period, provided the information is received on a weekly basis with the final submission for the month arriving on or before the published due date. Please refer to the Lineage – Reporting/Accounting & Settlement Calendar posted to the KnowledgeBase on the portal – Lineage Quick References, Calendars.
- The Coverholder is responsible for checking data entered by Lloyd's Canada on bordereaux against its records and identifying any discrepancies.

- Lloyd's Canada will be responsible for correcting data it enters incorrectly. Any corrections necessitated by the Coverholder making an error will be charged in accordance with the above rates. Any corrections required as a result of incorrect Binding Authority information entered on Lineage by the Lloyd's Broker will be subject to an additional fee determined on a case-by-case basis.
- Three months notice must be given prior to withdrawal from the data entry service.
- Under Lloyd's Canada's document retention policy, the batches through which policies and/or claims are reported are retained for six years from the relevant bordereaux month.

### 3.5 Above Authority Claims

All payments relating to a claim or kind of loss designated as above authority are identified when the Coverholder/TPA makes an entry on Lineage. A notification is sent to the Lloyd's Broker advising them that approval is required before the item is included on the bordereaux for settlement. The Lloyd's Broker should submit the relevant claim file to the Lloyd's Underwriter and Xchanging (where applicable) for their approval. Only after approval has been obtained, should the Lloyd's Broker use Lineage to advise the item has been approved. Once the item has been approved, the amount will then appear on that month's bordereaux. The Accounting & Settlement paid loss bordereaux will identify Above Authority claims as "AB".

### 3.6 Advances and Advance Reclaims

Requests for advances can be made for Single Large Loss (SLL) and Non-Deductible Floats (NDF) through the Lineage portal. The following must be entered; Coverholder Binding Authority contract number, contract year, claim number (SLL only), policy number (SLL only) and date of loss (SLL only). All must match what has been reported in Lineage's Insurance Reporting. A notification is then forwarded to the Lloyd's Broker who must obtain approval from the Lead Underwriter. (Once approved, Xchanging enters the reclaim date in the portal and selects the applicable FDO signing number and FDO signing date. (The facility exists whereby a singleton syndicate may be identified as the party charged with entering the approval on Lineage. Please contact Lloyd's Canada for further information). Settlement instructions will then be prepared and a portal notification will be sent to the appropriate Coverholder or TPA. The notification will include an advance reference number. For SLL's this number must be linked, by the Coverholder or TPA, to payments made by using the advance reference drop-down list on the claim payment screen.

A reclaim date is assigned to all advances by the Lead Underwriter, both for SLL and NDF. Notification of upcoming reclaims is posted to the portal for Coverholders, TPAs and Lloyd's brokers 30 days prior to the reclaim date. SLL advances are expected to be used in full eliminating the need for a reclaim at the date established. Coverholders and TPAs must be in the position to settle any reclaimed amount that will form part of their next A&S invoice..

Both Lead and following Underwriters have the ability to review and manage advances as well as to determine the quantum of payments not yet processed.

Please consult the Advance Management User Manual available through the KnowledgeBase.

### 3.7 Settlement

As Accounting & Settlement is a clearing service, it is the responsibility of participating parties to settle their accounts as presented through Accounting & Settlement. Amounts due from Underwriters are debited from the Lloyd's Canadian Trust Fund (LCTF) via Lloyd's Central Accounting. Amounts due from Coverholders are settled directly with Lloyd's Canada by direct debit or cheque. Settlement is governed by the Accounting & Settlement Rules promulgated under the Lloyd's Overseas Byelaw (see Appendix 1).

### 3.8 Means of Settlement

Party	Means
Underwriter	Direct deposit/debit to/from LCTF account via Lloyd's Central Accounting
Lloyd's Broker	Direct deposit to designated bank account
Coverholder	Direct deposit to designated bank account (preferred option) Direct debit from designated bank account or cheque
Third Party Claims Administrator	Direct deposit to designated bank account Direct debit from designated bank account
Policyholder (PPP)	Direct debit from designated bank account or credit card (the credit card option is only available for policies effective prior to January 1 <sup>st</sup> , 2017)
Automobile Pool	Direct deposit/debit

### 3.9 Credit control

In the event that Coverholder payment is not received:

- Lloyd's Canada will contact the Coverholder for payment
- Any delinquency of more than four working days will be reported to the Lead Underwriter and Lloyd's Broker
- Any delinquency of more than ten working days may result in the reversal of the settlement to Underwriters and the reporting of the late payment to Lloyd's Delegated Authorities.
- Any reversal of settlement will result in bad debts being the responsibility of the relevant parties.

The payment performance of Coverholders is monitored by Lloyd's Canada and unsatisfactory performance may result in the imposition of penalties to reflect the additional costs of financing the bad debt and can lead to conducting settlement with Underwriters and Lloyd's Brokers only upon receipt of funds from the Coverholder. The normal practice is to settle with Underwriters and Brokers assuming that Coverholders will remit payment on time.

### 3.10 Third Party Claims Administrators

A Third Party Claims Administrator (TPA) may be appointed to handle claims on a Binding Authority in place of the Coverholder. Such an appointment commonly involves administrative work such as:

- Establishing trust accounts
- Establishing banking arrangements
- Determining which files the TPA will be handling
- Transferring files
- Familiarising the TPA with procedures

When a TPA assumes the responsibility of running an Accounting & Settlement account it is vital that a clean transition of management is achieved. The transition of management should occur at the end of a bordereaux month (timetables are posted on the Lloyd's Canada portal). When an account changes hands, A&S settlement follows the relevant party's bordereaux transactions. Bordereaux entries that are input into Accounting & Settlement by the TPA following

the transition of management are settled to the TPA. Bordereaux entries that were input by the Coverholder in the final month before the transition of management are settled to the Coverholder.

A TPA manages an entire book of business i.e. a full contract and contract year, and as such is a direct party to A&S settlement.

Lloyd's Canada should be notified as early as possible with regard to the appointment of a TPA on a Accounting & Settlement account.

### 3.11 Following Underwriters

Following Underwriters benefit from the same service functionality as Leaders such as search and view of Binding Authority agreement details, policy and claim information and advances details granted to Coverholder or TPAs, Business Intelligence access as well as the details of each Accounting & Settlement entry. These features are only available after Xchanging provides Lloyd's Canada with the Binding Authority FDO signing details.

For more information on the features available please refer to the Lineage User Manuals and the Lineage Communications – User Guides located in the portal KnowledgeBase.

### 3.12 Change of Lloyd's Broker

#### 3.12.1 Change from the current Lloyd's Broker (ceding to another Lloyd's Broker (acquiring))

To transfer business from the current Lloyd's Broker (ceding) to another Lloyd's Broker (acquiring) the following procedures need to be carried out:

- The acquiring Lloyd's Broker will need to advise Lloyd's Canada that they are taking over the business from the ceding Lloyd's Broker. They will need to email or fax to Lloyd's Canada the details of the relevant contract, Coverholder, Binding Authority, year of account, signing number and date that they are acquiring and whether or not the run-off is to be assumed.
- Once Lloyd's Canada is in receipt of this information, it will obtain confirmation, via email or fax, from the ceding Lloyd's Broker on all aspects of the arrangement.
- Lloyd's Canada will confirm the Lloyd's Broker's banking information for brokerage deposit purposes.
- Where run-off is to be assumed:
  - Lloyd's Canada will verify and ensure the payments associated to the applicable Binding Authority(ies) are transferred from the ceding Broker's Above Authority worklist to the acquiring Broker's Above Authority worklist.
  - Lloyd's Canada will verify and ensure any requests for Accounting & Settlement advances that have not yet been approved or rejected are properly assigned to the acquiring Lloyd's Broker.
- Lloyd's Canada will access the Lineage Binding Authority record and enter the effective date/acquiring Lloyd's Broker number and the end date of the ceding Lloyd's Broker.
- Once the above has been completed, Lloyd's Canada will advise the acquiring Lloyd's Broker accordingly.

#### 3.12.2 Change/Addition of a Lloyd's Broker number within a Lloyd's Broker organisation

The change/addition of a Lloyd's Broker number within a Lloyd's Broker organisation requires the following procedures to be carried out:

- The Lloyd's Broker should advise Lloyd's Delegated Authorities of the change/addition of the Lloyd's Broker number for all affected Coverholders.
- Upon confirmation from Lloyd's Delegated Authorities, Lloyd's Canada will update the profiles of the effected Coverholders by adding the new Lloyd's Broker number and creating a relationship between the two entities.
- The Lloyd's Broker should advise Lloyd's Canada of the need to change/add the Lloyd's Broker number by completing a Lineage Administration Form (this can be obtained by emailing [info@lloyds.ca](mailto:info@lloyds.ca)) in order that the registration of the new organisation number can be carried out. A Banking Form, available from the Knowledgebase, should also be completed
- The Lloyd's Broker's Delegated Administrator should set up the relevant users under the new organisation.

The Lloyd's Broker should advise Lloyd's Canada of the details of the Lineage records that need to be amended i.e. Coverholder, Binding Authority, year of account, signing number and date, with the effective date for the amendment.

- Lloyd's Canada will require the Lloyd's Broker to finalise any Above Authority requests that appear on the existing organisation's worklist.
- Lloyd's Canada will enter, within Lineage, the effective date (i.e. the accounting month) that the change is to take effect.

**Note:**

With respect to all of the above:

- All reports are automatically amended to reflect the new Lloyd's Broker number – they are not duplicated.
- All terms and conditions e.g. analysis references – remain the same unless subsequently modified by the Lloyd's Broker.
- There can be no retroactive changes with respect to an accounting month. If Lloyd's Canada is not notified of the change on a timely basis reports and brokerage settlements will be directed to the previous Lloyd's Broker number and account.

### 3.12.3 Lloyd's Broker in Liquidation

The following procedures need to be carried out when a Lloyd's Broker is going into liquidation:

- When a Lloyd's Broker is going into liquidation Lloyd's Canada should be advised of the effective date and whether run-off arrangements have already been agreed.
- Lloyd's Canada will identify the affected Coverholders, TPAs, Binding Authorities, years of account, signing numbers and dates.
- Lloyd's Canada will update the Correspondent Profile, held on Lineage, with the actual cancellation date of the liquidating Lloyd's Broker. If a replacement Lloyd's Broker has been appointed this information is also added.
- Lloyd's Canada will remove the liquidated Lloyd's Broker from Lineage 'User Management' thereby removing its access to the Lloyd's Canada portal.
- If a replacement Lloyd's Broker has not been identified, Lloyd's Canada will contact the leading Lloyd's Underwriter to set out Above Authority claims procedures.
- If the replacement Lloyd's Broker is not a registered user of Lineage, the Lloyd's Broker will be required to complete a Lineage Administration Form to enable Lloyd's Canada to register them as an organisation (this can be obtained by emailing [info@lloyds.ca](mailto:info@lloyds.ca)). A Banking Form is also to be completed.
- Lloyd's Canada will assess the accounts payable/receivable for the Lloyd's Broker. As a result of this, bank instructions may be changed.
- Lloyd's Canada will reject any pending Above Authority payment requests and instruct the Coverholder/TPA to re-enter them. Re-entries will appear on the replacement Lloyd's Broker worklist or on Lloyd's Canada's Delegated Administrator's worklist if a replacement Lloyd's Broker has not been appointed.
- If the Lloyd's Canada Delegated Administrator is the recipient of the worklist items:
  - The Coverholder/TPA will be advised to send an approval request to the leading Lloyd's Underwriter.
  - The leading Lloyd's Underwriter must ensure that any additional required approvals are obtained (e.g. Xchanging) and advise [info@lloyds.ca](mailto:info@lloyds.ca) when the payment is approved or rejected.
  - Lloyd's Canada's Delegated Administrator will enter the applicable approval/rejection on the worklist item upon receipt of appropriate documentation.



## 4 Frequently Asked Questions

### 4.1 How do I settle?

New Coverholders are requested to sign a direct debit form to join Accounting & Settlement. In exceptional cases Coverholders are permitted to pay by cheque or wire transfer.

TPAs are required to sign a direct debit agreement..

Lloyd's Brokers are paid by direct deposit and Lloyd's Underwriters settle by direct deposit/debit.

### 4.2 What action will be taken if a settlement is paid after the settlement date?

Coverholder settlement performance is monitored by Lloyd's Canada and charges may be levied to reflect the additional financing costs. Consistently late settlement will result in the Coverholder being reported to the Lloyd's Delegated Authorities

### 4.3 Why don't my records of business reported to Lloyd's Canada reconcile with the Accounting & Settlement bordereaux?

The difference between Coverholder and Accounting & Settlement data can be attributable to:

- Entries not meeting the validation rules embedded in Lloyd's Canada systems.
- The late submission of premiums and claims data by the Coverholder to Lloyd's Canada.
- The non-approval of above authority claim payments
- The non-activation of policy entries on Lineage
- Missing transactions from premium and claims data submitted by the Coverholder to Lloyd's Canada.
- Data entry errors.

### 4.4 Why have I not received settlement despite my Coverholder reporting premiums and claims?

Settlement only takes place when Lloyd's Canada receives FDO (signing) details from Xchanging (see section 3.1.) These details must correspond with the initial record of the binding authority from the Lloyd's Broker. Without signing details settlement cannot proceed since Underwriter participations on a binding authority are unknown.

Missing signings are advised to Accounting & Settlement participants by:

- Portal notification to the leading Underwriter and Lloyd's Broker.
- The inclusion of the statement "Will only be settled when signing details available" on relevant bordereaux.
- The inclusion of "signing details are not yet available. Settlement cannot take place" on the portal's Binding Authority Summary.

It is important that any complex signings are brought to the attention of Lloyd's Canada in order to minimise any potential for error.

#### 4.5 How long will it take to obtain an advance/loss fund?

Single large loss advances and loss funds need to be approved by the leading Underwriter and (in most cases) Xchanging. Xchanging administers the majority of advances via Lineage.

Lloyd's Canada only moves money upon receipt of funds from Lloyd's Central Accounting. This can take up to 4 days following receipt of approval due to the London settlement process, and may take longer during the last week of every month due to the processing of month end settlement. Accounting & Settlement settles Advance monies to the Coverholder within 24 hours, if not the same day as receipt from central accounting.

Note of these timelines must be taken in agreeing payment to policyholders or others.

#### 4.6 Why do I have to report such a large amount of data to Lloyd's Canada?

Lloyd's data collection needs are primarily determined by the requirements of Canadian regulator(s) with, in certain cases, some additional information being mandated by Underwriters.

#### 4.7 Why do my signing messages not reconcile with the statistics I receive from Lloyd's Canada?

There a number of reasons the messages relating to accounting transactions may not match the statistical exhibits produced including:

- Standard statistical exhibits are based on the premium and claim information reported to Lloyd's Canada on a monthly basis and do not take terms of trade into consideration.
- Standard statistical exhibits are not dependent upon knowledge of syndicate participations. Therefore, statistics can be produced before signing details are received from Xchanging. Accounting transactions cannot be effected until signing details are received.
- Business Intelligence reports (excluding data extracts )only include data where the FDO has been received and processed by Lloyd's Canada
- Advances granted are not included in standard or Business Intelligence statistical reports. Individual transactions paid from a single large loss advance are included when a payment is recorded on the paid loss bordereaux.
- Business written under the Lloyd's Premium Payment Plan is accounted for as and when the premium is collected from the insured, with the exception of Coverholder commission and expense allowance. The statistical exhibits are, however, based on the total gross written premium and the up front payment of Coverholder commission and expense allowance.
- With respect to outstanding reserves, there are instances when XCS is instructed to modify reserves reported by a Coverholder.

#### 4.8 Where can I find out more information?

Accounting & Settlement Rules: See Appendix 1

Lloyd's Canada Portal: [www.lloydsCanada.com](http://www.lloydsCanada.com)

Lloyd's Website: [www.lloyds.com](http://www.lloyds.com)

Canada: Lloyd's Canada Contact Centre

Telephone: +1 514 864 5444 (from the UK)

1 877 455 6937 (from North America) or

1 877 (4LLOYDS)

Email: [info@lloyds.ca](mailto:info@lloyds.ca)

## 5 Glossary

### 5.1 Accounting Reports

Lloyd's Canada produces the following standard **accounting** reports in respect of each Accounting & Settlement binding authority. All reports are posted to the Lineage portal:

Reports for Leading Underwriters	
Accounting Summary	Summary totals (premiums and claims) of transactions submitted by the Coverholder/TPA for the reporting month and year to date, segregated by FDO number and date.
Premium Bordereaux	Detail of all transactions submitted by the Coverholder for the reporting month, segregated by FDO number and date.
Paid Loss Bordereaux	Detail of all transactions submitted by the Coverholder/TPA for the reporting month, segregated by FDO number and date.
Open Claim Register	Details of all open claims/kinds of loss with paid to date figures, segregated by FDO number and date.
Reports for Lloyd's Broker	
Accounting Summary	Summary totals (premiums and claims) of transactions submitted by the Coverholder/TPA for the reporting month and year to date, segregated by FDO number and date.
Premium Bordereaux	Detail of all transactions submitted by the Coverholder for the reporting month, segregated by FDO number and date.
Paid Loss Bordereaux	Details of all transactions submitted by the Coverholder/TPA for the reporting month, segregated by FDO number and date.
Open Claim Register	Details of all open claims/kinds of loss with paid to date figures, segregated by FDO number and date.
Invoice	Invoice detailing brokerage to be paid in the month end settlement.
Reports for Coverholders	
Accounting Summary	Summary totals (premium and claims) of transactions submitted for the reporting month and year to date, segregated by FDO number and date.
Premium Bordereaux	Detail of all transactions submitted for the reporting month, segregated by FDO number and date.
Paid Loss Bordereaux	Detail of all transactions submitted for the reporting month, segregated by FDO number and date.
Open Claim Register	Details of all open claims/kinds of loss with paid to date figures, segregated by FDO number and date.

Outstanding Exceptional Advances	Summary of all in-force advances with the original and month-end balances.
Invoice	Invoice detailing amounts due to/from Underwriters for the month end settlement.
<b>Reports for Third Party Claims Administrators</b>	
Paid Loss Bordereau	Detail of all transactions submitted for the reporting month, segregated by FDO number and date.
Open Claims Register	Details of all open claims/kind of loss with paid to date figures, segregated by FDO number and date.
Invoice	Invoice detailing amounts due to/from Underwriters for the month end settlement.

## 5.2 Cash flow history and projections

The Accounting Representative of each organization has access to Cash flow and transactional reporting. Please refer to the Accounting & Settlement User Guide posted to the KnowledgeBase.

## 5.3 Statistical reports

Lloyd's Canada produces monthly and quarterly core statistical reports. These are provided to Lloyd's Brokers and Coverholders via the Lineage portal in either PDF or data file format.

A list of the standard statistical reports is available on the portal under the KnowledgeBase – Lineage communications.

## 5.4 Claims Advances/Loss Funds

A Coverholder/TPA may request a claims advance or loss fund from his binding authority Underwriters to assist him in making payments to policyholders. Requests should be made via Lineage. The Lloyd's Broker will then seek the necessary approvals from Lloyd's Underwriters and Xchanging (where applicable). Funds are moved by Lloyd's Canada at any time during a month following both the receipt of approval from Xchanging and the relevant monies from Lloyd's Central Accounting.

All advances are assigned a reclaim date and are reclaimed through Accounting & Settlement. Reclaims are included on the Coverholder invoice, with 30 days notice of the upcoming reclaim provided on the portal to the Coverholder, TPA and Lloyd's Broker.

## 5.5 Automobile Pool

The Automobile Pool is a facility administered by Lloyd's Canada that covers Lloyd's business with the following:

- The Facility Association (administered provincially, except Quebec, British Columbia, Manitoba and Saskatchewan)
- The Risk Sharing Pool (Alberta, New Brunswick and Ontario)
- Le Plan de répartition des risques (Quebec)
- Provincial Health Care levy regimes in Alberta, Newfoundland, New Brunswick, Nova Scotia, Prince Edward Island and Ontario

- The Uninsured Automobile Funds in Newfoundland, New Brunswick, Nova Scotia and Prince Edward Island

Lloyd's participations in the foregoing are statutory requirements consequent upon its status as a licensed automobile insurer in each province. As legislation requires the participation to be carried out at a market level, this is conducted centrally. Lloyd's Canada services in respect of these items are carried out on the basis of procedures agreed with the Lloyd's Market Association's Canadian Business Panel (CBP). The Automobile Pool account is the bank account that has been established under the Lloyd's Canadian Trust Fund to handle monies related to them. The financial results of relevant business are shared with automobile Underwriters through Industry Assessments.

## 5.6 Industry Assessments

The costs and dividends relating to the results of Automobile Pool business are recovered from or distributed to Underwriters through industry assessments. The sums involved are proportionate to the volumes of automobile business an Underwriter has written in a particular province for a particular year. Procedures are agreed with the CBP.

## 5.7 Premium Payment Plan (PPP)

The PPP is a facility operated by Lloyd's Canada under which policyholders can settle with Lloyd's in instalments. The permission of the Lead Underwriter is required before the PPP can be used on a particular binding authority.

An administration fee of 3% of the Gross Premium is levied on the insured with respect to annual policies. For policy terms between 6 and 12 months the fee is 1.5% and for a policy term of less than 6 months the fee is 0.5%.

The following business is no longer eligible for settlement via PPP:

- Any Nova Scotia policy – this is due to consumer credit regulations in that province.
- Any Quebec automobile policy, new and renewal, effective after February 28 2005, which includes accident benefits (QEF 34). This is due to the removal of sales tax on this cover in the 2004 Quebec budget and the disproportionate cost of redesigning the PPP system to cater for this.
- Subscription policies.

# Appendix 1

## Part A – Preliminary

### 1. Citation and interpretation

- a These rules may be cited as 'Accounting & Settlement Rules' (the "Rules").
- b The provisions of the Schedule to these Rules (interpretation) shall have effect.

## Part B – Insurance Services

### 2. Provision of services

- 1 Lloyd's Canada Inc ("LCI") may provide the services referred to in sub-paragraph 2 on the terms prescribed by these Rules.
- 2 The services referred to in sub-paragraph 1 are –
  - a a service for the accounting, netting and settlement of Canadian insurance transactions and the transfer of funds more particularly described in Section Part B.
  - b any ancillary service incidental or relating to the foregoing services; and
  - c any other service which LCI considers it is in the interests of any of the persons referred to in subparagraph 4 or any class of them to receive in conjunction with any of the foregoing services.
- 3 All or any of the services may be provided wholly or partly by electronic means and by the user of electronic documents.
- 4 The services may be provided to or on behalf of –
  - a the Society (in its capacity as principal payee or payor under insurance transactions or otherwise);
  - b LCI;
  - c any member of group of members of the Society;
  - d any underwriting agent (including any substitute agent);
  - e any approved run-off company;
  - f any Lloyd's broker or any person permitted by the Council to broke insurance business at Lloyd's (other than as referred to in subparagraph g);
  - g any Canadian coverholder or correspondent;
  - h any trustee of the LCTF and/or LCMTF and/or any premiums trust deed or any person acting pursuant to any power under a trust deed; and
  - i any other person to whom LCI agrees to provide a service.
- 5 LCI may provide any service to or on behalf of a participant whether that participant is acting, or appears to the LCI to be acting, as –
  - a a principal;
  - b an agent for a person, whether or not that person is a participant; or
  - c a trustee or pursuant to powers under a trust deed, in either case whether or not the beneficiary of the trust concerned is, or where there is more than one, includes, another person referred to in subparagraph 4.

Provided that in each of cases b and c LCI may treat such a trustee or agent as if it were a transacting principal in respect of the provision of the services and shall have no obligation to provide the services to, or claim unpaid amounts

owed by an agent or trustee hereunder from, underlying principals or beneficiaries. LCI shall have a right to claim against any agent or trustee.

- 6 LCI may delegate the provision of all or any of the services referred to in paragraph 2(2) to any person on such terms and conditions as it thinks fit and/or may agree with another person that such other person may provide all or any of such services on the terms and conditions set out or referred to in these Rules on such terms and conditions as may be agreed with LCI (including, without limitation, in relation to the provision of information and assistance to LCI) or otherwise as it thinks fit. If agreed with LCI, any such person may provide any such services in the name of LCI and may, with prior written consent from LCI, sub-delegate or delegate (as the case may be) the provision of all or any of such services to another person on such terms as may be stipulated in LCI's consent.

## **Part C – Accounting & Settlement**

### **3. Accounting & Settlement**

- 1 LCI may, as part of the services referred to in paragraph 2(2), maintain a system to be known as Accounting & Settlement (“A&S”) for the processing, advice, accounting, netting and settlement of Canadian insurance transactions, (including monetary obligations arising from insurance transactions) and other transfers of funds.
- 2 In providing the services, LCI is acting as the settlement agent of each of the participants and undertakes no liability as a principal to any participant in respect of any insurance transactions.

### **4. Demand and collection of moneys**

- 1 LCI, as principal in respect of amounts due to it as principal payee under any Canadian insurance transaction, or as agent of any other participant, may demand and/or collect or procure the demand and/or collection from any participant any moneys which are, or which appear to LCI to be, due on any settlement date from that participant (whether as agent or principal) to any other participant or participants (whether as agent or principal) (each a “payee”) under any A&S transaction. Such demands and/or collections may be made through the Lloyd’s central accounting system where necessary.
- 2 LCI, as principal in respect of amounts due from it as principal payor under any Canadian insurance transaction, or as agent of any other participant may pay or procure payment any of the amounts referred to under sub-paragraph 1 to the relevant payee.
- 3 LCI may, in making payments to and collecting payments from participants, or procuring the payment to or collection of payments from participants pursuant to sub-paragraphs 1 and 2 above, aggregate and net all such payments in accordance with paragraph 8.
- 4 Subject to paragraph 8, payments under A&S transactions shall be made by participants in full and without set-off, deduction or counterclaim.

### **5. Establishment of bank accounts**

- 1 One or more bank accounts may be opened (including accounts in the name of the trustee of the LCTF and/or LCMTF) for the purpose of operating, or providing any service under A&S.
- 2 Every participant shall open and maintain such accounts with such banks as LCI or the Council may prescribe.
- 3 LCI may as a condition of participation, or continued participation, in A&S require participants to establish irrevocable direct debit arrangements and/or direct credit arrangements in favour of LCI or such other persons as LCI may specify.



## 6. Currencies

- 1 A&S transactions shall be settled only in a A&S currency.
- 2 Subject to sub-paragraph 6(3), participants shall agree such currency conversion arrangements between themselves as are necessary to effect settlement in respect of insurance transactions expressed in convertible currencies which are required to be settled under the A&S.
- 3 LCI, may but shall not be obliged to, prescribe the exchange rate to be used, and the procedures and requirements to be followed, for the conversion of amounts payable in respect of underlying insurance transactions expressed in a convertible currency into a A&S currency and for making adjustments to exchange rates.
- 4 LCI may, on written notice to participants, declare that a convertible currency is to become a A&S currency or declare that a A&S currency is no longer a A&S currency.

## 7. Advice and accounting of A&S transactions

- 1 In respect of any A&S transaction, the participants concerned shall provide to LCI such information and documents relating to it as LCI may require in order to facilitate the advice and, if necessary, the accounting, netting and settlement of the A&S transaction and shall comply with the provisions of any regulations, requirements, codes of practice and/or manuals made or issued by LCI in accordance with paragraph 23 below.
- 2 Without prejudice to the generality of sub-paragraph 1, any requirement made under that sub-paragraph or pursuant to any regulations, requirements, codes of practice and/or manuals made or issued by LCI in accordance with paragraph 23 below may –
  - a Impose conditions which are absolute or which are to vary from time to time by such factors as are specified in or are determined in accordance with such conditions and requirements;
  - b Make different provision for different classes or categories of participants;
  - c Make different provision for different classes or categories of insurance transaction;
  - d Be made in respect of a specific insurance transaction or a specific class or category of insurance transaction or be of general application;
  - e Contain incidental and supplementary provisions.
- 3 LCI shall be entitled to rely on information and documents provided under sub-paragraph 1 in effecting A&S transactions.

## 8. Settlement of A&S transactions

- 1 Subject to paragraphs 8(5) and 14, prior to each settlement date (the “relevant settlement date”) LCI shall calculate in respect of each participant and in respect of each A&S currency:
  - a The aggregate amount due to be paid to that participant by the other participants under all A&S transactions of which LCI has notice which are denominated in that A&S currency and are due to be settled on the relevant settlement date (the “entitlements”);
  - b The aggregate amount due to be paid by that participant to other participants under all A&S transactions of which LCI has notice which are denominated in that A&S currency and which are due to be settled on the relevant settlement date (the “gross payments”).
- 2 If the entitlements exceed the gross payments the amount of such excess shall, subject to sub-paragraph 11(4), be directly credited or otherwise paid by LCI to the participant on the relevant settlement date.
- 3 If the gross payments exceed the entitlements, the amount of such excess shall be directly debited, by LCI from such participant’s account(s) or paid by the participant to LCI for value on the relevant settlement date.
- 4 LCI may settle a A&S transaction otherwise than in accordance with sub-paragraphs 1 to 3 and shall consider representations from participants that a A&S transaction that would otherwise be settled in accordance with sub-paragraphs 1 to 3 should not be settled.

- 5 Any direction made under sub-paragraph 4 may be given in respect of a specific A&S transaction or a specific class of A&S transaction or be of general application.

## 9. Settlement dates

Amounts due for settlement under the A&S shall be settled or brought into settlement between participants on one of the applicable settlement dates as specified from time to time by LCI except where a A&S transaction is to be settled otherwise than in accordance with paragraphs 8(1) to (3) above whereupon the settlement date shall be determined by LCI in its absolute discretion.

## 10. Settlement information statements

- 1 LCI may deliver or shall procure the delivery to every participant of settlement information statements in accordance with this paragraph.
- 2 A settlement information statement delivered to a participant may provide such information as to enable the participant to ascertain (from the settlement information statement alone or in conjunction with other information) those A&S transactions to which the participant is a party and which have been, or which will be, accounted and, if such is the case, settled under the A&S during the period covered by the settlement information statement.
- 3 Settlement information statements delivered under sub-paragraph 1 may–
- a Contain different information for different classes of participant and for different classes of A&S transaction;
  - b Be delivered at such intervals as LCI may determine; and
  - c Contain such additional information as LCI may determine.
- 4 A participant may appoint a person to whom LCI is able to send settlement information statements to and to receive settlement information statements on its behalf.
- 5 The members of a syndicate shall for the purposes of sub-paragraph 4 be deemed to have appointed the managing agent of the syndicate to receive all settlement information statements on their behalf.
- 6 Where a participant has appointed a person under sub-paragraph 4, the participant shall give written notification to LCI of the appointment together with such additional information as LCI may require.
- 7 Where a participant has appointed a person under sub-paragraph 4, the obligations of LCI to the participant under sub-paragraph 1 shall be discharged by delivery of settlement information statements to the person so appointed by the participant.

## 11. Obligation to fund settlements

- 1 Every participant shall, in accordance with any conditions and requirements of LCI, make available, or procure that there are made available, sufficient funds on the applicable settlement date for the settlement of any A&S transaction in respect of which amounts are to be paid by or on behalf of that participant.
- 2 Where a participant is required to make funds available for the settlement of A&S transactions and does not make the full amount of such funds available on or before the applicable settlement date LCI may –
- a Refuse to settle any or all A&S transactions until sufficient funds have been made available; or
  - b Apply any funds received from the participant in the *pro rata* settlement of outstanding A&S transactions to which it is a party; or
  - c Settle any or all A&S transactions in respect of, on account of or on behalf of the participant.

- 3 Where LCI settles a A&S transaction under sub-paragraph 2c, the participant shall on demand pay forthwith to LCI amounts equal to any sums so paid in settlement in respect of, on account of or for the benefit on behalf of that participant, together with (if so demanded) interest thereon charged in accordance with sub-paragraph 5 and shall indemnify LCI in respect of any interest paid or payable or any charges, expenses or liabilities incurred by LCI or the Society by reason of LCI having settled the A&S transaction, and LCI and/or the Society may bring proceedings to recover the same as a civil debt. All amounts payable pursuant to this sub-paragraph by any participant carrying on an underwriting business shall be treated for all purposes as an expense of that underwriting business.
- 4 Where LCI refuses to settle any A&S transaction under sub-paragraph 2a LCI may either reduce the amount of the entitlements of any participant payable to it pursuant to paragraph 8 by the amount which such participant would have received in respect of such A&S transaction had it been settled in full or may suspend the payment to the relevant participant until such A&S transactions have been settled in full. Where LCI makes pro rata partial settlement of a A&S transaction under sub-paragraph 2b LCI shall reduce the amount of the entitlements of any participant payable to it pursuant to paragraph 8 by an amount equal to the amount which such participant would have received in respect of such A&S transaction had it been settled in full less the amount of the pro rata partial settlement made by LCI.
- 5 LCI may charge interest on any amount paid under sub-paragraph 2c from the applicable settlement date until the date of repayment of such amount to LCI or the Society. The rate of interest shall be five per cent above the then current prime rate of the Royal Bank of Canada (or such other leading bank as LCI may select).
- 6 Without prejudice to any other powers of LCI, LCI may treat any sum payable under sub-paragraph 3 or 5 as a A&S transaction which may be settled, or brought into settlement, under A&S.
- 7 Without prejudice to the provisions of paragraph 18, the rights and liabilities conferred or created by this paragraph shall subsist notwithstanding that the participant in respect of, or on account of or for the benefit of whom a transaction has been settled under sub-paragraph 2b has, if a member of the Society, ceased to be such a member by reason of resignation, death or otherwise or, if not such a member, has ceased to be a participant.

## 12. Wrongful and unpaid credits

- 1 Where, in calculating the entitlements due to a participant under paragraph 8(1)a, LCI has taken into account any amount which is due to be paid to that participant and which is not subsequently paid on the relevant settlement date or any amount which is not due to that participant on the relevant settlement date, LCI may directly debit the accounts of that participant in respect of that amount or make demand for the prompt repayment of that amount. Such participant shall repay LCI immediately on its making such demand and that participant shall indemnify LCI against any loss, liability, charge or expense arising from the crediting or other payment of such amount to its account.
- 2 Where, at any stage during the operation of a service a participant becomes aware of an inputting or similar or analogous error such participant shall immediately notify LCI of the error. LCI may, where it is practicable so to do, reverse any transaction notified to it as having been erroneously made or of which LCI has itself become aware. The participant shall settle in full any transaction notified to it pending the correction taking effect.

## 13. Default declarations

- 1 Where –
  - a A participant –
    - i Is unable to fulfil its obligations in respect of any A&S transaction; or
    - ii Appears to LCI to be or likely to be so unable; or
  - b An insolvency event occurs in relation to the participant or any relevant principal or beneficiary on whose behalf it acts,
- 2 Where LCI makes a default declaration, it shall as soon as is reasonably practicable thereafter give written notice of the default declaration to the defaulter and such other persons as LCI thinks fit.
- 3 The form of the default declaration and the manner in which notice thereof is given to the persons referred to in sub-paragraph 2 shall be as LCI thinks fit.
- 4 LCI may at any time it thinks fit revoke a default declaration.

5 Where LCI revokes a default declaration it shall give written notice thereof to the defaulter and such other persons as it thinks fit.

#### **14. System transactions involving defaulters**

As soon as is reasonably practicable after a participant has been declared a defaulter, LCI may –

- a Suspend the settlement of sums due to or from the defaulter which would otherwise be settled or brought into settlement on settlement dates after the date on which the participant has been declared a defaulter; and
- b Take such steps and make such arrangements as LCI thinks fit to facilitate the settlement of amounts due to the defaulter from other participants and other persons and amounts due from the defaulter to other participants and other persons, provided that LCI shall not be obliged to take any action in respect of the settlement of sums for which instructions have already been given to any relevant clearing institutions.

#### **15. General saving relating to default**

Nothing in this Part shall prevent LCI, the Society, any other participant or any other person from exercising any lawful right of fulfilling any lawful obligation in respect of the defaulter whether or not the right or obligation concerned arises in respect of a A&S transaction.

#### **16. Termination of the A&S**

- 1 LCI may in its absolute discretion upon giving not less than six months' notice (or such lesser period as LCI may determine at any time, having regard to the prevailing circumstances) to participants terminate any or all of the services including the provision of the A&S.
- 2 As soon as practicable after any notice to terminate the A&S has taken effect LCI shall take such steps as it considers appropriate –
  - a To account to participants for any sums that may be due to them under the A&S; and
  - b To facilitate the orderly winding up of the A&S.
- 3 Termination of the A&S or any service shall not release any participant from any liability which at the time of termination had already accrued to another participant or LCI nor affect in any way the provisions of paragraphs 28 and 29.

#### **17. Exclusion from participation in the A&S**

- 1 LCI may exclude a participant from participation in the A&S where –
  - a In the opinion of LCI, the participant has used or is using or is proposing to use the A&S in a way which as caused or is causing or will cause material harm or damage to the A&S, other participants or information processed, held or transmitted on, under or through the A&S;
  - b The participant has ceased to be a person referred to in paragraph 2(4)b to l;
  - c LCI has made a default direction in respect of the participant under paragraph 13;
  - d An insolvency event has occurred in relation to the participant or any principal or beneficiary on whose behalf it acts;
  - e The participant has failed to comply with or any other provision of these Rules or any provision of any requirements, regulation, code of practice or manual made or published by LCI issued under paragraph 23;
  - f The participant has failed to pay a charge payable under paragraph 22 within the period for the time being prescribed; or
  - g Having regard to the circumstances then pertaining LCI thinks fit that a participant is excluded from participation in the A&S.
- 2 Before exercising the powers conferred on LCI by this paragraph in respect of a participant referred to in paragraph 2(4)c to l, LCI shall –
  - a Inform the participant concerned in writing of its intention and of the grounds for the intended exclusion; and

- b Allow the participant to make representations as to the intended exclusion within such a period and in such form as LCI may allow.
- 3 If in the opinion of LCI the power conferred by sub-paragraph 1 is required to be exercised immediately, LCI may exercise such powers without having first taken the steps referred to in sub-paragraph 2.
  - 4 In any case falling within sub-paragraph 3 LCI shall –
    - a As soon as possible inform the participant concerned of the reasons for the exclusion; and
    - b Allow the participant to make representations within such period as LCI may require.
  - 5 LCI shall as soon as practicable after the exclusion of a participant from participation in the A&S notify in writing all the other participants thereof.

## **18. Saving of rights on termination or exclusion**

The termination of the A&S under paragraph 16 or the exclusion from participation of a participant under paragraph 17 shall not affect any right, obligation or liability of any person accrued, due or outstanding at the date of termination or exclusion and arising under the A&S or from his participation in the A&S or in respect of any A&S transaction.

### **Part D – Information**

## **19. Provision of information**

- 1 LCI may require your participant to supply LCI and/or any service provider with such information as LCI may specify in connection with the provision of any service.
- 2 Each participant shall immediately notify LCI and any service provider on becoming aware that an insolvency event has occurred or is likely to occur in relation to it or any principal or beneficiary on whose behalf it acts.

## **20. Storage and distribution of information**

LCI and any service provider may as part of, or for the purposes or, or in connection with, providing a service hold information provided under paragraph 19 of any other provisions of these Rules or otherwise provided to, or obtained by, it in providing a service and, subject to paragraph 21 may distribute such information or any of it.

## **21. Confidentiality of information**

- 1 Subject to paragraph 2 and paragraph 24(2), information provided to, or obtained by, LCI under these Rules or in providing any service shall be held subject to the provisions of the Information and Confidentiality Byelaw (No. 21 of 1993 and applicable Canadian law), provided that LCI may disclose such information to any service provider in so far as it thinks fit.
- 2 Information provided to, or obtained by, any service provider under these Rules or in providing any service shall be held subject to the provisions relating to disclosure and use as may be agreed between the service provider and LCI.

### **Part E – Miscellaneous and General**

## **22. Power of LCI to prescribe changes**

- 1 Every applicant and every participant shall pay to LCI such charges as LCI shall notify to them from time to time.
- 2 For the purposes of this paragraph LCI may –
  - a Determine the amount of any charges in accordance with a specified scale or other specified factors;
  - b Determine the time or times of payment of charges;
  - c Provide for the exemption from payment of, or the return or abatement of, any charges in specified circumstances;
  - d Charge interest on such amount of charges as are unpaid on the due date until the date of payment at a rate determined by LCI; and
  - e Make different provision for different cases.

### **23. Regulations, codes of practice and manuals**

- 1 LCI may make, amend and terminate requirements, regulations, and issue codes of practice and/or manuals in respect of the provision and operation of the services of any of them and the administrative and technical procedures to be observed by participants.
- 2 Where any provision in a regulation, requirement, code of practice or manual made or issued under sub-paragraph 1 conflicts with a provision of these Rules, the latter shall prevail.

### **24. Power to enter into agreements, etc.**

- 1 LCI may enter into such contracts and arrangements as LCI considers are necessary or expedient for the purposes of or in connection with the provision of any service under this byelaw.
- 2 Where LCI has entered into a contract or arrangement as described in sub-paragraph 1, and, as a result thereof, LCI uses systems and equipment owned, maintained, operated or controlled by third parties, LCI may disclose to such third parties information about participants and A&S transactions to the extent that such disclosure is necessary for the purpose of, or giving effect to, the contract or arrangement concerned.
- 3 Any service provider may, if LCI so agrees, disclose to third parties information about participants and their business to the extent that such disclosure is necessary for the purpose of or in connection with the provision of any service.

### **25. Variation of services**

- 1 Subject to this paragraph, LCI may vary a service or any part of a service.
- 2 Subject to sub-paragraph 3, LCI shall not vary a service to any material extent without giving prior notice of the proposed variation to the affected participants. LCI shall consider the representations (if any) of the affected participants on any such variation before reaching any decision on the variation.
- 3 If in the opinion of LCI any material variation is required to be made as a matter of urgency in order to enhance a service or any part of a service or to preserve the integrity of the services of any part of a service or to preserve the interests of participants or any of them LCI may make that variation without first having taken the steps referred to in sub-paragraph 2.
- 4 In any case falling within sub-paragraph 3 LCI shall –
  - a As soon as practicable thereafter inform the affected participants in writing of the variation; and
  - b Permit the affected participants to make representations to LCI on the action taken by LCI within such period as LCI may prescribe

And where such representations are received by LCI, it shall reconsider the action taken under sub-paragraph 3.

### **26. Service of notices**

- 1 All notices and other communications by LCI or a service provider which are required to be given to a participant under these Rules shall for all purposes be treated as effectively given if left at or sent by post to the address from time to time notified to LCI or the service provider in question by that participant as the address to which notices and other communications are to be sent or, if given by facsimile transmission or email by submitting it to such number of email address from time to time notified to LCI or the service provider in question as appropriate by that participant.

- 2 Any notice or communication sent to a participant by ordinary post shall be treated as having been effectively given by properly addressing and posting a letter containing that notice or communication and shall be deemed to have been served 24 hours after the letter is posted. Any notice or communication sent by facsimile or email transmission shall be deemed to have been received when evidence of its receipt is transmitted to the person sending it and any notice or communication sent by electronic means shall be deemed to have been received when transmitted.

## **27. Liability**

- 1 Neither LCI nor any delegate of LCI (each a "service provider") shall have any liability (whether direct or indirect, in contract, tort or otherwise) to any participant or any principal or beneficiary of any participant or any of their respective shareholders or any other person (each such person a "claimant") for or in connection with the services except for direct losses suffered by the claimant to the extent that such losses are found in a final, non-appealable judgement by a court of competent jurisdiction to have resulted directly and primarily from the negligence or wilful misconduct of that service provider and in no event shall LCI or that service provider be liable for any claimant's loss of profits, business or anticipated savings or for any indirect or consequential loss whatsoever.
- 2 Without limiting any provision of sub-paragraph 1, LCI shall not be responsible for the negligence or wilful misconduct of, or any other loss or liability arising in connection with, the action or inaction of any service provider selected by LCI with reasonable care.
- 3 LCI will have no liability or responsibility, except as expressly provided in these Rules, for the good faith or acts or omissions, creditworthiness, performance or standing of any participant or any other person whomsoever or for admitting any participant to the A&S, making or failing to make any default declaration in respect of a participant or taking or failing to take any action to determine or suspend the provision of any service to any participant.
- 4 LCI assumes no liability or responsibility for the consequences arising out of delay or loss in transmission of any messages, letters, cheques or documents, or for delay, mutilation or other errors arising in transmission of any telecommunication or other electronic notification and will not be liable or responsible for any delays resulting from the need to obtain clarification of any instructions received.
- 5 Each participant shall indemnify and hold harmless LCI and any service provider from and against any and all claims, damages, losses, liabilities, costs and expenses (including, without limitation legal fees and disbursements) that may be incurred by or asserted or awarded against LCI or any service provider, in each case arising out of or in connection with any investigation, litigation or other proceeding commenced by any person against LCI or any service provider which arises out of or in connection with the provision by LCI or any service provider of any of the services to that participant or as a result of any breach by that participant of its obligations to LCI or any service provider, except to the extent such claim, damage, loss, liability, cost or expense has resulted directly and primarily from LCI's or any service provider negligence or wilful misconduct. All amounts payable pursuant to this sub-paragraph by any participant carrying on an underwriting business shall be treated for all purposes as an expense of that underwriting business.

## **28. Records/Determinations**

- 1 In the absence of manifest error, the records of LCI relating to the settlement of A&S transactions shall constitute conclusive evidence as to matter.
- 2 Any determination or notification by LCI concerning any rate or amount to be determined or calculated in connection with the services shall, in the absence of manifest error, be conclusive evidence as to the matter.

## **29. Compliance with laws**

In carrying out the services LCI or any service provider may refrain from doing anything which might, in its opinion, constitute a breach of any law or regulation or any duty of confidentiality or be otherwise actionable at the suit of any person and may do anything which, in its opinion, is necessary or desirable to comply with any law or regulation of any jurisdiction or to comply with the order of any court.

### 30. Force Majeure

LCI and any service provider shall have no responsibility or liability for or regarding any non-performance, improper performance, suspension of performance or delay in performance, of LCI's or any service provider's obligations under or in connection with the services by reason of any circumstances beyond LCI's or any service provider's reasonable control including, without limitation, by reason of any failure by clearing agent to make a payment on a settlement date, any breakdown or failure of transmission, communication or computer facility or other mechanical breakdown or malfunction, work stoppage, postal or other strike or other labour disturbance or industrial action, earthquake, flood, fire, storm and other act of God, explosion, accident, sabotage, terrorism, insurrection, revolution, riot, rebellion or other unrest or disturbance or present or future law or act of any governmental or regulatory authority.

### 31. Commencement and transitional provisions

- 1 These Rules shall come into force on 1 March 2004.
- 2 The document entitled "Accounting & Settlement Manual"<sup>2</sup> shall be deemed to be a manual issued under paragraph 23.

### Schedule

#### Interpretation

#### 1.

In these Rules, unless the context otherwise requires –

"approved run-off company" has the meaning given to it in the Underwriting Byelaw (No. 2 of 2003)

"arrangement" includes any agreement or arrangement whether or not intended to be enforceable by legal proceedings and whether or not evidenced in writing;

"Canadian coverholder" means any approved coverholder (as defined in the Delegated Underwriting Byelaw (No 1 of 2004)) who transacts Canadian insurance business pursuant to a recognised binding authority in Canada;

"Canadian correspondent" means a broker (not being a Lloyd's broker) or other intermediary in Canada introducing risks:

- a directly to a Lloyd's broker for placing with underwriters; or
- b if a non-Lloyd's intermediary, directly to underwriters otherwise than by a binding authority.

"Canadian insurance transaction" means any transaction effected, or intended to be effected, as part of, or arising from, the business of insurance or any activity whatsoever directly or indirectly related to, or arising from, the business of insurance in Canada;

"claimant" has the meaning given to it in paragraph 27(1);

"convertible currency" means a currency which is not a A&S currency;

"default declaration" means a declaration made by LCI under paragraph 13(1);

"defaulter" means a participant in respect of which LCI has made a default declaration;

"direct credit arrangement" means any arrangement whereby a person is authorised to credit another person's account;

"direct debit arrangement" means any arrangement whereby a person other than the account holder is authorised to debit, or take money from, that account;

"entitlements" has the meaning given to it in paragraph 8(1);

"gross payments" has the meaning given to it in paragraph 8(1);



“insolvency event” means:

- a in relation to any individual or partnership, the making of a receiving order in bankruptcy against such individuals or any partner in such partnership by the due process of law of any country, such individual or partner in such partnership making or proposing any composition with his creditors or otherwise acknowledging his insolvency, or being adjudicated bankruptcy or adjudicated or declared insolvent by the due process of law of any country; and
- b in relation to any body corporate its making or proposing any composition with its creditors or otherwise acknowledging its insolvency, a bankruptcy order being made against it by the due process of law of any country; its being adjudicated or declared insolvent by the due process of law of any country, an order being made or resolution being passed for its winding up or dissolution, a receiver, trustee or analogous officer being appointed in respect of the whole or any material of its property or assets, its directors presenting or filing in any court a petition in respect of its bankruptcy, winding up or other insolvency or which seeks any reorganisation, dissolution or similar relief or there occurring an event in any jurisdiction which is analogous to any of the foregoing events;

“insurance” includes assurance, reinsurance, reinsurance and suretyship;

“LCI” means Lloyd's Canada Inc (or its successors and assignees from time to time);

“LCMTF” means the trust fund constituted by the Lloyd's Canadian Margin Fund Trust Deed dated 25 May 2001 as amended from time to time.

“LCTF” means the trust fund constituted by the Lloyd's Canadian Trust Deed dated 25 May 2001 as amended from time to time;

“managing agent” means a person who is listed as a managing agent in the register of underwriting agents under the Underwriting Byelaw (No. 2 of 2003);

“participant” means a person set out in paragraph 2(4) acting in one of the capacities set out at paragraph 2(5) to whom or on behalf of whom a service is for the time being provided under this byelaw;

“payee” has the meaning given to it in paragraph 4(1);

“premiums trust deed” means a trust deed in the form for the time being required by the Council constituting a premium trust fund (including all such trust deeds relating to long term business and any Overseas Direction or Special Trust Direction as therein defined);

“prescribed form” means, in relation to any application, notice or other document, such forms and contents as may from time to time be prescribed by LCI;

“A&S currency” means any currency in which LCI or any service provider settles A&S transactions;

“A&S” means Accounting & Settlement as referred to in paragraph 3;

“A&S transaction” means an insurance transaction which, in accordance with these Rules is, or should be, processed under the A&S or in respect of which monetary obligations are, or should be, settled under the A&S;

“services” means the services referred to in paragraph 2(2) for the time being provided under this byelaw;

“services provider” means (other than in paragraph 27) a person, other than LCI, who is referred to in paragraph 2(6) and who provides any service referred to in paragraph 2(2);

“settlement information statement” means a statement as described in paragraph 10;

“settlement date” means a date specified by LCI under paragraph 9 for the settlement of A&S transactions;

“Society” means the Society incorporated by Lloyd's Act 1871 by the name of Lloyd's;

“substitute agent” means a person appointed to act as agent for an underwriting member under the Substitute Agents Byelaw (No. 20 of 1983) in accordance with part K of the Underwriting Byelaw (No. 2 of 2003)

“syndicate” means a group of underwriting members underwriting insurance business at Lloyd's through the agency of a managing agent;

“underwriting agent” has the meaning given to is in the Underwriting Byelaw (no. 2 of 2003), and includes any substitute agent.

- 2.** The references in paragraphs 2(3), 26(1) and 26(2) to “electronic means” and in paragraph 2(3) to “electronic documents” include references to computers, networks and any means whereby information is processed, held or transmitted in a machine-readable form and to documents which are in a machine-readable form. The references in this byelaw to any other Lloyd’s byelaw shall be deemed to be a reference to that Lloyd’s byelaw as the same may be amended from time to time.