

# Market Bulletin

Ref: Y5311

<b>Title</b>	Conditions of Trade for Delegated Authorities Data
<b>Purpose</b>	To clarify Lloyd's Conditions of Trade and give the market sight of upcoming changes to ensure they have sufficient time to prepare.
<b>Type</b>	Scheduled
<b>From</b>	Paul Brady Head of Policyholder & Third-Party Oversight, Delegated Authority
<b>Date</b>	27 October 2020
<b>Deadline</b>	
<b>Related links</b>	<a href="#">Changes to Coverholder Reporting Standards v.5.2</a> <a href="#">Delegated Data Manager Conditions of Trade Frequently Asked Questions</a>

By [Market Bulletin Y5270](#), Lloyd's announced its intention to require that all DA data would need to be submitted into Delegated Data Manager (DDM) (previously DA SATS) in accordance with the Coverholder Reporting Standards. The rationale for this was to improve data quality, support ease of reporting and to support other DA processes.

Having consulted with the market associations, we are now able to provide further information designed to help the market prepare.

In summary, we intend to require that all DA data is submitted into DDM as a Condition of Trade for DA business. Specifically: -

1. Submission of data will be based on five principles (see below) designed to enhance the quality of Coverholder Reporting Data.

2. These Conditions of Trade will apply for all binders incepting from the go-live date in Q3 2021. The Conditions will only become active if all pre-requisites set by the market are met. The exact go-live date will be communicated in due course.
3. All Premium Paid bordereaux and Claims (relating to money movement) bordereaux must be processed into DDM by the “submission partner” responsible for submitting to DXC, to ensure accounting and settlement process is linked correctly.
4. Risk Written\* and Claims (requiring decisions bordereaux) may be processed by a ‘Trusted Source’ via their own bordereaux processing system into DDM.
5. All Risk Written, Premium Paid and Claims data must meet the Coverholder Reporting Standards or validations will stop entry into the system. All corrections must be carried out in a timely fashion no later than the submission of the subsequent bordereau.
6. Non-compliance with the Conditions of Trade will result in premium payment not being processed by Lloyd’s Central settlement.

*\*In this document when Risk Written is referenced, we are referring to Risk data required for Lloyd’s Tax, Regulatory and Financial reporting.*

### **Principles of the Conditions of Trade**

The Conditions of Trade are based on five key principles agreed in principle by both the LMA and LIIBA, which are outlined below with further detail in the Appendix: -

1. Capture and transmission of consistent and high-quality data is the key focus of the Conditions of Trade using the Coverholder Reporting Standards which will be enhanced in a phased approach.
2. Direct submission into DDM remains the preferred method of submission for Premium Paid, Risk Written and Claims information. However, Lloyd’s will permit ‘Trusted Sources’ of DA data to load Risk Written and Claims (requiring decisions) data directly into DDM. Premium Paid and Claims (for money movement) must be loaded into DDM by the submission partner responsible for the premium processing using DXC central services.
3. During the contract set-up on Delegated Contract Manager, each Delegated Authority contract will require explicit identification of the party/parties responsible for each role within the Delegated Data Manager submission process. These roles will identify which party is responsible as the contract administrator, for the submission of the Risk Written, Premium Paid and Claims bordereaux into DDM and the mapping of these once inside the system.

4. Rigorous data validation and business controls will be applied to bordereaux submissions received in order to assure the quality of data distributed from DDM and used by Lloyd's for tax and regulatory reporting and other uses (e.g. potentially driving central accounting & settlement in a more automated manner).
5. An elective, central customer service for inputting and mapping Coverholder data into Delegated Data Manager is being stood up. The primary role of this service should not be to remediate data submitted by Brokers and Coverholders but to provide a more holistic service management/exception handling service.

The appendix to this Market Bulletin will outline each principle in detail.

### Further Information

Lloyd's will provide further updates in due course throughout Q4 that will include:

- Progress with regards to the pre-requisites set by LMA in 2019 and those currently being defined by LIIBA on behalf of the broking community.
- Further details on the 'Trusted Source' criteria.
- More detail as to the benefits that will come from the forthcoming change.
- Market consultation period on the proposed changes to Coverholder Reporting Standards will run from the 27<sup>th</sup> October 2020 until Friday 20<sup>th</sup> November 2020. Further details provided under section Principle No.1. in the Appendix.
- A final Conditions of Trade Market Bulletin upon completion of market consultations.

The DDM team will be available for feedback and questions through their attendance at the DDM Market User Group and DDM Steering group. You can also reach out through your market associations as well as directly using the email addresses provided below.

Lindsey Davies (DDM Lloyd's Business Owner): [lindsey.davies@lloyds.com](mailto:lindsey.davies@lloyds.com)

Marc Bloom (DDM Lloyd's Data Business Owner): [marc.bloom@lloyds.com](mailto:marc.bloom@lloyds.com)

Jamie Coughlan (DDM Programme Manager): [jamie.coughlan@lloyds.com](mailto:jamie.coughlan@lloyds.com)

Paniz Mojahedi (DDM Change and Adoption Lead): [paniz.mojahedi@lloyds.com](mailto:paniz.mojahedi@lloyds.com)

## Appendix

### Principle No.1:

*1. Capture and transmission of consistent and high-quality data is the key focus of the Conditions of Trade using the Coverholder Reporting standards which will be enhanced in a phased approach.*

To support the capture of high-quality consistent data Lloyd's will be undertaking a two-phase process to enhance the Coverholder Reporting Standards.

#### **Phase 1: Effective Date: Q3 2021**

Phase 1 will consist of the items mentioned below but will be subject to a market-wide consultation period allowing all organisations to provide feedback on the proposed changes.

There will be a four-week market consultation period with scheduled feedback sessions starting Monday 9<sup>th</sup> November 2020 for both Managing Agents and Brokers. Details on how to join these consultation sessions have been shared by email to organisations via Change Leads. If you have not received details on this and would like to participate, please contact [DAchangesupport@lloyds.com](mailto:DAchangesupport@lloyds.com).

Proposed changes to the Coverholder Reporting Standards V5.2. that are being consulted on can be found in the 'Related Links' section at the top of this Market Bulletin and are summarised below:

- Minimal changes will be made to Coverholder Reporting Standards V5.2. These will focus on ensuring the data captured can support Lloyd's Tax, Regulatory and Financial reporting.
- Risk Written fields will be removed from the Premium Paid bordereau and reporting should now be completed on three separate bordereaux Premium Paid, Claims and Risk Written.
- Other changes will include removing inconsistencies, the addition of some fields for tax purposes and removal of redundant and duplicate fields.
- Detailed guidance has been developed with input from Lloyd's, LIMOSS and Morning Star combining the market glossary and user guide to overcome any inconsistencies in interpretation of the standard.
- Each new data set for Premium Paid, Claims and Risk Written has been signed off by Lloyds Tax, Regulatory and Finance functions to ensure they are fit for purpose.

**Phase 2: Date TBC**

Work will take place to allow the capture of Enhanced Risk Written and Claims Bordereaux through new data standards, aligning with the Data workstream within Future at Lloyd's and the RPAC API workstream. Lloyd's aim to convene cross market group to act as core project team alongside representation from market system vendors.

Work will also begin on enhancing governance around the Coverholder Reporting Standards to ensure any future iterations are timely and work for the whole market.

Further details will follow on this in the coming weeks.

**Principle No.2:**

*2. Direct submission into DDM remains the preferred method of submission for Premium Paid, Risk Written and Claims information. However, exceptions will be made for 'Trusted Sources' of DA data to load Risk Written and Claims (requiring decisions) data directly into DDM. Premium Paid and Claims (for money movement) must be loaded into DDM by the submission partner responsible for the premium processing using DXC central services.*

**Criteria for All Submissions:**

- These Conditions of Trade will be active for all binders incepting from the launch date Q3 2021. The Conditions will only become active if all pre-requisites set by the market are met. Further details on these will follow in the coming weeks.
- Complying with Lloyd's Coverholder Reporting Standards, data must be of high-quality, consistent and be processed in Delegated Data Manager in a timely fashion as set out in the binder to support regulatory reporting by Lloyd's using data drawn from Delegated Data Manager.
- To maintain quality of data, all errors must be corrected within DDM in line with Conditions of Trade in the Binder and before the subsequent bordereaux are submitted. Monitoring will be in place which identifies firms that do not adhere to the Conditions of Trade.

**Premium Paid**

To link closely to the movement of money, the submission partner responsible for processing premium through DXC must load the Premium Paid bordereau into DDM. This will ensure consistency of data and enable unlocking of future benefits when Lloyd's Direct Reporting (LDR) is launched with aim of ultimately removing LPANs and reducing splits.

To allow a move towards a future integrated ecosystem with API-based transmission of data from as close to source as possible, Lloyd's strongly encourages all stakeholders to move towards a process of direct submission from Coverholder/Broker systems of Coverholder Reporting Data into Delegated Data Manger.

### **Risk Written**

Feedback has been received that large-scale investment by Managing Agents in their own DA Bordereaux Management Systems (VIPR, Watertrace, Bindercloud, etc.) have made it less desirable to move fully towards a new model of direct submission into DDM. Lloyd's accepts that in some cases these systems can be accredited as 'Trusted Sources' for submission of Risk Written and Claims data into DDM in the short/medium term. See 'Trusted Source Criteria' section below.

Submissions from these sources will be subject to the same validation and controls as submissions from Brokers, Coverholders and Managing Agent service company systems directly into DDM. Lloyd's will define the criteria to be satisfied for vendor systems to be recognised as a 'Trusted Source' in the coming weeks.

### **Claims**

All Claims bordereau relating to money movement (already paid and no decisions) must enter DDM directly by the party responsible for submission to ECF/DXC.

Any Claims bordereau that require decision making can be entered into DDM via a 'Trusted Source' as with Risk Written. Submissions from these sources will be subject to the same validation and controls as submissions from Brokers, Coverholders and Managing Agent service company systems directly into DDM. Lloyd's will define the criteria to be satisfied for vendor systems to be recognised as a 'Trusted Source' in the coming weeks.

We are committed to aligning with ongoing Claims, including the Faster Claims Solution within Future at Lloyd's.

### **'Trusted Source' Criteria**

- All Lloyd's Trusted Sources must obtain Lloyd's Accreditation Status. \*
- Trusted Source status will be granted to Market Firms not specifically the system they use.
- Validations within the Trusted Source system must align with the Lloyd's Requirements.

- Data transmitted to DDM must be from as close to source content as possible, i.e. not remediated, transformed, or adapted in any way other than by the Coverholder/Broker.
- The Trusted Source must align with Lloyd’s Conditions of Trade around the submission of Coverholder Reporting data with all mandatory and conditional mandatory fields captured to support tax, regulatory and finance reporting.

\*Further information on the process and criteria for ‘Trusted Source accreditation’ will follow in the coming weeks.

**Principle No.3:**

*3. During the contract set-up on Delegated Contract Manager, each Delegated Authority contract will require explicit identification of the party/parties responsible for each role within the Delegated Data Manager submission process. These roles will identify which party is responsible as the contract administrator, for the submission of the Risk Written, Premium Paid and Claims bordereaux into DDM and the mapping of these once inside the system.*

Feedback has been received on the need to enhance the operating model to ensure the whole market share responsibility for the Coverholder reporting process. The Conditions of Trade will support this by outlining the responsibility of each stakeholder during specific DA scenarios. This process will be further enhanced through Delegated Contract Manager as each contract will require explicit identification on the party/parties responsible for the submission of the Risk Written, Premium Paid and Claims bordereaux into DDM.

Scenario	Members	Who’s Responsible/What are the Roles?
Binder – Typical or traditional binder	Broker, MA and Coverholders	<ul style="list-style-type: none"> <li>• Broker or Coverholder is responsible for loading and mapping the Bordereaux into DDM.</li> <li>• If this is not possible then a centralised BPO service will be available to ensure the data entering DDM is of high quality.</li> </ul>
Multi Section/ Multi Lead – with broker	Broker, MA and Coverholders	<ul style="list-style-type: none"> <li>• Premium Paid bordereau should always be submitted into DDM by the party responsible for processing in DXC.</li> <li>• If a Lead MA’s system is accredited as a ‘Trusted Source’ then the Risk Written and Claims bordereau may be loaded into DDM directly from this system.</li> </ul>
100% MA lead – No broker	MA and Coverholders	<ul style="list-style-type: none"> <li>• The Lead MA is responsible for directly loading the bordereau into DDM either through their own processing teams or via the centralised BPO service.</li> <li>• If a MA’s system is accredited as a ‘Trusted Source’ then the bordereau may be loaded into DDM directly from this system.</li> </ul>

More comprehensive guidance and process models will follow in the coming weeks highlighting in detail where each stakeholder could be responsible in every possible scenario.

#### **Principle No.4:**

*4. Rigorous data validation and business controls will be applied to bordereaux submissions received in order to assure the quality of data distributed from DDM and used by Lloyd's for tax and regulatory reporting and other uses (e.g. potentially driving central accounting & settlement in a more automated manner).*

A set of validations will be in place for all data entering Delegated Data Manager. These will be designed to ensure all Coverholder Reporting Data meets the Coverholder Reporting Standards and supports Lloyd's Tax, Regulatory and financial reporting.

Further definition of business controls is needed to gauge whether those already in force are sufficient or more are required. Lloyd's will be working closely with the market associations and firms to ensure these are fit for purpose.

#### **Potential Consequences for Non-Compliance with Conditions of Trade for Delegated Authorities Data:**

**Step 1:** DXC will be instructed not to process Paid Premium Bordereaux for any stakeholder who does not meet the Conditions of Trade. This will impact premium payment via Lloyd's central settlement.

**Step 2:** Continued failure to cooperate with Conditions of Trade will lead to removal/suspension of permissions/approval, ultimately leading to deregistration of the stakeholder.

#### **Principle No.5:**

*5. An elective, central customer service for inputting and mapping Coverholder data into Delegated Data Manager is being stood up. The primary role of this service should not be to remediate data submitted by Brokers and Coverholders but to provide a more holistic service management/exception handling service.*

Lloyd's see this as a centralised service for firms who may want to centralise costs involved in chasing, submitting, and mapping Coverholder data into DDM system.



To ensure Coverholder data is of high quality and consistent across the market, this service will not be aimed at those needing to cleanse or modify Coverholder data in any way. An RFI process has begun in in coordination with LIMOSS and will progress if market demand is present for this service. \*

\*LIMOSS have released an RFI to vendors on Monday 19<sup>th</sup> October and further information will follow on this process in the coming weeks.