1   SERVICE DEFINITION

Background; Service and Business Drivers

Xchanging has been asked by its Lloyd's Managing Agent and London company customers ("carriers") to introduce a service, the "Carrier Accounting Entries Service", which enables elimination of the "Londonism" of brokers having to create low level accounting entries to satisfy the tax, regulatory or other data reporting requirements of carriers.

This service allows brokers to account at the same level with London "bureau market" carriers as they do with non bureau carriers, enabling ledger records to be held at a consistent level and reducing administration costs. It also facilitates the adoption of ACORD message based electronic accounting in the London market.

Claims will continue to operate at non fundamental level.

Premiums

The service will be triggered by the broker presentation, including pre-registration, and will be carried out as a precursor of technical premium processing within Xchanging. It will provide brokers with the *option* to submit premium accounting entries to Xchanging at more summarised levels than is currently required (so called fundamental accounting level from the broker's perspective). Advices to brokers will be returned at the same level as the submission. The carrier level accounting entries (so called non fundamental accounts) will be created by Xchanging to support provision of data to regulators and tax authorities and to satisfy any internal requirements.

Where triggered by the broker, use of the service will be mandatory for Lloyd's managing agents except where there is an agreed alternative to the method of providing reporting data to Lloyd's (for example in relation to Service Company business which often does not involve a broker). Company carriers should record their tax requirements clearly on the MRC, Xchanging will create non fundamental accounts based on each Company's requirements. Regardless, Brokers will be able to adopt a single consistent process for both Lloyd's and Company markets i.e. if the broker opts to provide fundamental level accounts the subscribing market makes no difference to the broker's process.

If brokers elect to continue to provide the non fundamental level (carrier) accounting entries, Xchanging processes will operate as currently under e-Accounts Release 1.

Where Xchanging creates the carrier accounting entries, the Xchanging signing references assigned to premium and AP/RP transactions will be issued at different levels for brokers and carriers[1].   Brokers and carriers will be provided with details of the cross referencing between the different levels of accounting entries to assist with claims processing and day to day communications e.g. debt chasing. For brokers, the bureau signing reference will relate to the level at which the transaction was submitted by the broker and will be known as the Broker Signing Number & Date ("BSND"). For carriers, the bureau signing reference will be known as the Carrier Signing Number and Date ("CSND") and will be generated by Xchanging for each required carrier accounting entry post broker submission.

Claims

Claims will continue to be authorised and processed at non fundamental level. Brokers will receive a BSND/CSND mapping file to assist this process.

Service Availability

The service is only triggered by brokers submitting ACORD Technical Account messages to Xchanging which comply with the London implementation standards. The processing of claims attaching to premiums processed through the new service is available to brokers using LIMCLM messages, on-line CLASS transaction creation and ACORD DRI messages.

Service Scope

The business scope and exclusions will follow that as outlined in the e-Accounts user guide.

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[1] If there are no low level accounts, the signing references allocated to Brokers and Carriers will be the same.

Definition of Fundamental / Non Fundamental

A definition of fundamental / non fundamental accounting entries from the broker's perspective is included in the Appendix. In summary, fundamental accounting entries are so called as they relate to the fundamental structure of the risk as determined by the requirements of the broker's client or as dictated by the conditions imposed by carriers. Non fundamental accounting entries are required for other reasons, mainly for regulatory and tax reporting. It is recognised that a non fundamental account from a broker's perspective may be regarded as fundamental from a carrier's perspective. Please refer to the Appendix for clarification.

Service details

The service comprises the receipt of fundamental level accounting entries from brokers which Xchanging then extends to the creation of non fundamental (carrier) accounting entries and processes through to completion and allocation of a bureau signing reference.

The service will form an extension to the existing services. As such, the service will be monitored by the existing carriers' service review boards (LMA XRB & IUA SRP and XCS equivalents) and operate to the existing model:

> o Supported hours: Monday to Friday, 07:00 to 19:00 UK time, excluding UK public holidays. For Premiums, work received before 17:00 UK time on any business day will be given a presentation date of that day.

> o Fundamental BSMs &/or ACORD acknowledgements will be despatched to brokers within five working days of receipt of query-free submissions.

> o Transfer of funds between brokers and carrier accounts within three working days (in accordance with the banking system).

As there is no additional Xchanging activities relating to claims processing the existing service levels remain unchanged.

The tables below articulate further the expected 'Conditions of Service'.

Service Class/item	Customer Service Description	Conditions of Service	Service Level
1 Carrier Accounting Entries Service	This service entails the preparation of data to the level of accounting required by carriers to fulfil their tax, regulatory and any internal requirements. This enables brokers to submit ACORD Technical Accounts at a fundamental accounting level, with Xchanging subsequently creating the carrier accounting entries associated with the submission. The data will be created in accordance with the rules provided by carriers or their representatives.		Xchanging will: Review the accounting entries provided by the broker (where provided at fundamental level) and generate the required number of carrier accounting entries in accordance with the rules approved by LMA XRB and the IUA SRP (to be confirmed).

Service Class/item	Customer Service Description	Conditions of Service	Service Level
1.1 Validate completeness of information provided	Xchanging will: Review/assess the information received and determine if all required detail has been provided to enable carrier accounting entries to be created to satisfy the rules set out in the Appendix.	Broker will: Ensure that documentation submitted (including MRCs and fundamental level accounting entries) is in sufficient detail to enable Xchanging to determine the carrier accounting entries required. Note: it is also incumbent on Carriers to ensure the MRC contains sufficient detail, particularly in relation to the taxation responsibilities. Provide details of multiple overseas countries/taxes in the Xchanging Open Market Schedule or Lloyd's Premium Reporting Standard for Coverholders or equivalent. Aim to respond to any queries raised by Xchanging within 2 working days of	Xchanging will: Ensure that the documents and information submitted plus any clarification, additional information and/or additional documents are sufficiently clear to create the required data and relevant accounting entries. If not, a query will be raised with the broker or leading carrier as appropriate without delay.

Service Class/item	Customer Service Description	Conditions of Service	Service Level
		notification.	
1.2 Notify signings to brokers	Xchanging will: Ensure that the required carrier accounting entries are created and BSM &/or Level 4 ACORD acknowledgement is despatched to the broker at a level which matches the level of information originally provided by the broker.	Broker will: Reconcile the advised signings within their ledgers.	Xchanging will: Ensure that BSMs &/or Level 4 acknowledgements are despatched as per existing market SLA for query free submissions from the broker or within 2 working days of the receipt of any query response.
1.3 Notify non fundamental level signings to carriers	Xchanging will: Ensure that USM / DSIGN / ILUCSM (or ACORD replacements) are despatched to carriers at a non fundamental level	Carriers will: Reconcile the non fundamental signings with risk records held within their ledgers.	Xchanging will: Ensure that USM / DSIGN / ILUCSM (or ACORD replacements) are despatched as per existing market SLA as agreed with the LMA XRB or IUA SRP.

Service Class/item	Customer Service Description	Conditions of Service	Service Level
1.4 Provide details of the cross referencing between broker and carrier signings	Xchanging will: Provide details of the cross referencing between the Broker Signing Number and Date ("BSND") and the Carrier Signing Number and Date ("CSND") via a CSND to BSND Cross-Reference report provided. The BSND will be added to the online signings enquiries and will additionally be made available as a conditional field in the carrier signing messages (USM, IPCDSM, ILUCSM, IPCDSM).		Xchanging will: Provide the CSND to BSND Cross-Reference report within the timescale agreed (TBC). Provide details of the BSND within online signings enquiries from 08.00 on the next working day after signing. Ensure the carrier signing messages correctly contain the BSND.

| Service Class/item	Customer Service Description	Conditions of Service	Service Level
1.5 Process Settlement	Broker will: Send the ACORD Financial Account message at a level which matches the level of information originally provided by the broker to Xchanging from their broking system (or use the existing RESETT message or online settlement trigger), or request Xchanging to release.	Xchanging will: Process the relevant premium in the next settlement run.	Xchanging will: For Lloyd's syndicates: Create an overnight input file into Lloyd's settlement systems to enable funds transfer within 3 working days post signing. For Companies: Transfer funds between broker and carrier accounts within 3 working days post signing in accordance with the banking system.
2 Claims	Broker will: Continue to submit claims at the non fundamental level.	No change	No change
3 Currency of Lloyd's reporting requirements	Lloyd's will inform Xchanging from time to time if any specific Lloyd's reporting requirements are subject to change.	Xchanging will: Update the agreed rule set based on the changes specified in accordance with the agreed change control procedure (to be defined as part of	To be defined as part of the implementation process for the new service

Service Class/item	Customer Service Description	Conditions of Service	Service Level
		the implementation process for the new service).	

APPENDIX – BROKER FUNDAMENTAL ACCOUNTING ENTRIES

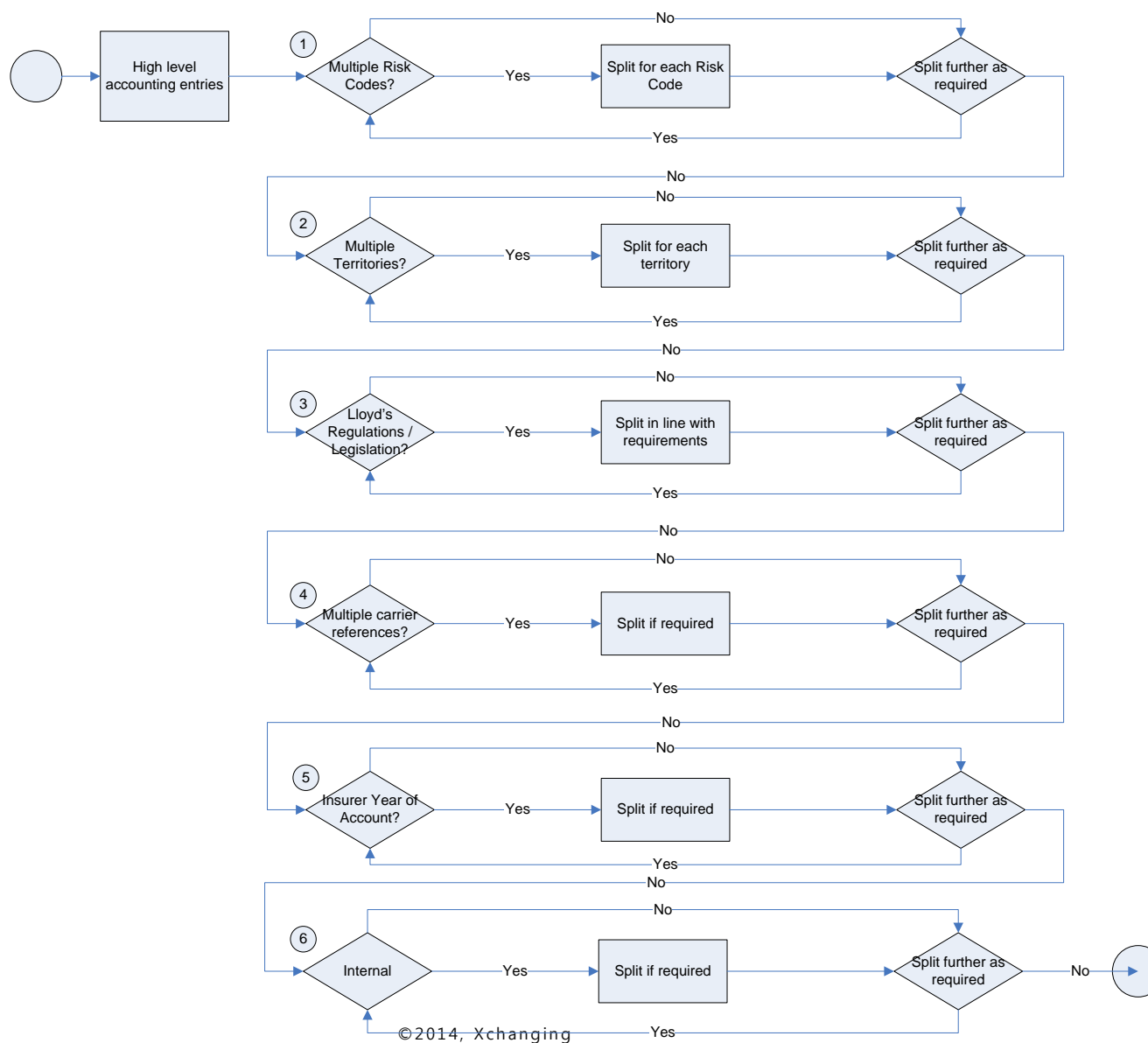| No.	Fundamental Breakdown	Explanation
1	Bureaux or Insurer Exposure Differs?	Separate accounting entries are required for Lloyd's, ILU and LIRMA insurers. Where an insurer's exposure varies over different risks within the contract; or where there is a mix of Open Market and Non-Bulking Line Slip; or where insurers are writing different terms and quoting different premiums: a separate accounting transaction is required for each type of exposure / set of terms.
2	Multiple Payment Dates?	Where payment dates differ per the Payment Terms and/or SDD specified in the MRC or MRCE, including non-Deferred Scheme Instalments; or where part of the premium is held in reserve: a separate accounting transaction is required for each payment date
3	Mix of Insurance & Reinsurance?	Where both direct insurance and reinsurance coverage is provided on the same contract, separate accounting entries are required for insurance and reinsurance.
4	Multiple Original Currencies?	A separate accounting transaction is required for each original currency.
5	Multiple settlement currencies?	A separate accounting transaction is required for each settlement currency.
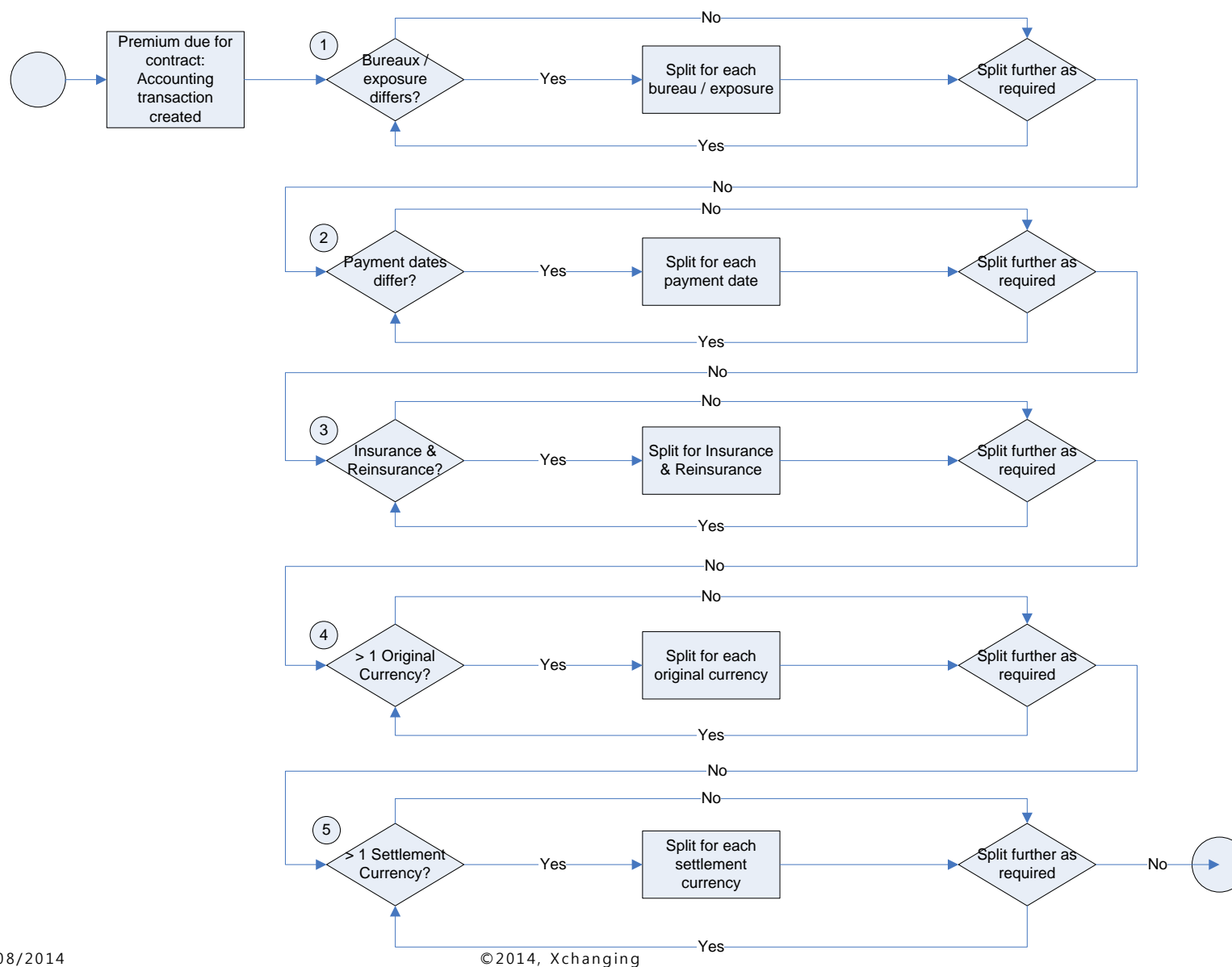
APPENDIX – BROKER NON FUNDAMENTAL ACCOUNTING ENTRIES: LLOYD'S

No.	Non fundamental breakdown	Explanation
1	Do multiple Risk Codes apply?	Where Lloyd's insurers have allocated two or more risk codes under the 'Allocation to Premium Coding' heading of the MRC or MRCE, a separate reporting accounting transaction will be generated for each risk code. Where FDO entries are to be processed brokers will need to advise for which risk codes FDOs are required.
2	Does the premium emanate from different territories?	Where the premium emanates from different territories according to the Country of Origin and Type of insurance as specified in the MRC or MRCE, a separate reporting transaction will be generated for each territory where required for regulatory reporting purposes.
3	Lloyd's Legislative and Regulatory breakdowns?	Where premium is subject to Lloyd's legislative and regulatory requirements separate reporting transactions will be generated as required. Most commonly this will be due to FIL codes; FIL codes incorporate US and Canadian Trust Fund requirements. US Surplus Lines and NAIC reporting data needs to be provided by brokers to enable Xchanging to complete regulatory returns. It should be noted that when this information is reported multiple breakdowns will be completed against one reporting transaction.

Separate reporting transactions relating specifically to tax will not be necessary; most will be in line with FIL coding requirements and more than one tax can be recorded against a single transaction. Information relating to tax amounts and tax types needs to be provided by brokers. |
| 4 | Insurer referencing breakdowns? | Where insurers have specified multiple references separate reporting transactions will be generated if required. |

No.	Non fundamental breakdown	Explanation
		E.g. if there is one premium amount due and an insurer has split their line 70% / 30% for all premium attaching there is no need to generate separate reporting transactions for the references. If there are several premium amounts due in respect of different declarations to a Bulking Lineslip and an insurer has specified a separate reference for each declaration, separate reporting transactions will be generated.
5	Insurer Year of Account breakdowns?	Where insurers on a contract are receiving premium in different years of account (due to mid-term market changes or annual re-signing on a long term risk) separate reporting transactions will be generated as required for each year of account.
6	Internal processing breakdowns?	Separate reporting transactions may need to be generated for internal processing reasons.

Separate reporting transactions will also be generated where insurers are funding taxes, in order to achieve the correct FSA reporting.

Where a Company is a member of a Lloyd's Consortium and they are represented by a syndicate number (4309 or 8000-8999) on a joint underwriting stamp, a separate reporting transaction will be generated for the Company. The Company's proportion will be processed via Lloyd's central accounting; they are considered purely as a "user of Lloyd's services", not a "member of the society of Lloyd's. |

APPENDIX – BROKER NON FUNDAMENTAL ACCOUNTING ENTRIES: COMPANIES

No.	Non fundamental breakdown	Explanation
1	Company Regulatory breakdown	Where there are insurers on risk who are liable for FET and others who are not, separate reporting transactions will be generated. Where premium has been allocated in respect of the US, separate reporting transactions will be generated accordingly. Where premium has been allocated in respect of US TRIA, separate reporting transactions will be generated (these will be separate from the non-TRIA US premium).

2	Multiple taxes applicable	When tax is applicable to the premium and is either being paid to insurers with their net premium or deducted from their net premium, separate reporting transactions will be generated in respect of each tax jurisdiction. When tax is applicable but does not affect insurers' net premium, no separate reporting transactions will be generated.
		
		In some instances insurers will administer different taxes; in these situations the minimum number of reporting transactions will be generated for each insurer.
		Example:
		➢ A contract insures property in the following territories:
		    France (French premium tax applies, payable in addition to gross premium);
		    Australia (Australian income tax applies, taken as a deduction from gross premium);
		    Italy (Italian premium tax applies, payable in addition to gross premium);
		    India (no tax applies); and

No.	Non fundamental breakdown	Explanation
	Multiple taxed applicable (continued)	Switzerland (Swiss Stamp Duty applies, payable in addition to the gross premium). ➢ There are three insurers on risk: Insurer A, B and C. ➢ Insurers A and B are administering all taxes; insurer C has agreed to administer EU taxes only. (Continued) Reporting transactions will be generated as follows: ➢ All insurers: Separate reporting transactions for France and Italy. Insurers A and B: ➢ Separate reporting transaction for Switzerland (tax added to the net premium). ➢ Combined reporting transaction for India and Australia (The tax will have no impact on the net premium for Australia; insurers will pay the income tax on to the relevant authorities out of the net premium they receive). Insurer C: ➢ Separate reporting transaction for Australia (tax deducted from the net premium payable to the insurer since they are not handling the tax). ➢ Combined reporting transaction for India and Switzerland (no tax added to the premium as insurer not handling non-EU taxes).
3	Insurer referencing breakdown?	Where insurers have specified multiple references separate reporting transactions will be generated if required. E.g. if there is one premium amount due and an insurer has split their line 70% / 30% for all premium attaching there would be no need to generate separate reporting transactions for the references. If an insurer has split their line 70% /

No.	Non fundamental breakdown	Explanation
		30% in respect of different limits within the contract, separate reporting transactions would need to be generated.