



Electronic Trading Protocols for Intermediated Personal Lines Business

Contents

Introduction.....	3
Section 1 – System Configuration	4
Section 2 – Applying System Updates.....	5
Section 3 – Frequency of Connections	6
Section 4 – Messages Transmissions.....	7
Section 5 – Authorisation of Non Standard Processing of Business	8
Section 6 – Documentation Auditing.....	10

Introduction

This document sets out a number of specific controls and obligations which are required to facilitate standard protocols and procedures between insurers, software providers and the insurance broking community. It applies to all business transactions (through brokers using a software system, regardless of whether the software system is proprietary or in-house) undertaken in the UK personal lines market.

These requirements will assist new entrants to the market and provide a framework for existing insurers and software providers who have agreed to adopt these requirements wherever possible.

The evolving nature of electronic trading may result in additional requirements being identified, in which case they will be included in future versions of the document.

Section 1 – System Configuration

Background

Insurance regulation requires insurers to maintain appropriate levels of control over intermediaries, and over the sale of their products via intermediaries' systems.

In terms of configuration of software systems, insurers need the ability to authorise product or agency set up, in circumstances where the software system allows the intermediary to initiate these processes.

Additionally where a software system cannot withdraw access to insurers' products controls are required that facilitate switch off.

Controls Required

Product/Agency Setup

Where a software system allows a broker to instigate agency or product set up, rather than the software system undertaking the task on his behalf, the insurer may wish to authorise these actions prior to them being undertaken. In these circumstances the controls relating to non-standard processing authorisation apply (see Section 5).

Product Withdrawal

Where an insurer wishes to withdraw its products from a broker the following controls will apply:

Insurers should:

- (a) Write to the intermediary advising that access to its products are being withdrawn
- (b) Provide a copy of the withdrawal letter to the intermediary's software system provider
- (c) Contact the intermediary to deactivate products, where control of product deactivation rests with the intermediary

Software providers should:

- (a) Make available to insurers facilities for deactivating which do not rely on the intermediary's cooperation or
- (b) Contact the intermediary to switch off products where they control this functionality
- (c) Deactivate products

Deactivation in these circumstances includes test/training branch systems.

Section 2 – Applying System Updates

Background

The timely application of system updates (which may include rate releases, error fixes and system enhancements) are crucial as they affect both acceptance of, and the premium and terms offered, for risks being written on an insurer's behalf and good maintenance of the system.

Furthermore insurers may not wish to offer a "Guarantee" (in respect of acceptance and/or rating) where systems updates have not been applied in a timely manner.

Controls Required

In support of this requirement software systems should:

- (a) Remove the guarantee flag (or alternatively display a statement to the broker to the effect that the quote is not guaranteed) where the rate effective month is more than 1 month earlier than the quoted date e.g. quotation produced in September but the rates release is for July
- (b) Provide details of the rates version on the quote print facility
- (c) Provide the date that the quote was produced in the EDI transmission

Insurers may also wish to include in their Terms of Business Agreement a requirement for timely updating of new rates or system updates

Sending Quotation Dates in EDI Transmissions

The agreed mechanism for provision of this information in EDI messages is the use of an SFI Segment (this will be an additional segment) populated as follows:

SFI_MCSI_1	To contain the SWH code from code list 82
SFI_MCSI_2	To contain the rate version number
SFI_MCSI_3	To contain the date the rates were released
SFI_MCSI_4	To contain the date the rates were applied
SFI_MCSI_5	To contain the date the quotation was produced

Section 3 – Frequency of Connections

Background

Insurers need to know as soon as possible who their customers are so that they can be serviced efficiently and treated fairly.

This necessitates prompt notification of business written on their behalf, and a requirement that all business written on an insurer's behalf be notified to the insurer ideally on a daily basis, but at worst within 3 working days (with the exception of Easter and Christmas where a five day limit is permissible).

This requirement is also essential for MID compliance.

Controls Required

In order to achieve this, the following measures are required:

Software providers should:

- (a) Make available to intermediaries an automatically scheduled task of daily EDI transaction submission
- (b) Warn the broker (via an error message or similar mechanism) if an EDI transmission has failed or
- (c) Where control of data transmission is through a central server, warn the relevant insurers
- (d) Advise insurers of any issue that affects its overall system or entire user base

Insurers should:

- (a) Include in their Intermediary Terms of Business Agreements¹ a requirement that details of all business written be submitted in a timely manner, with the recommendation of daily connection
- (b) Stipulate in the same Terms of Business Agreement that the intermediary must advise the insurer if, for any reason, there is a problem that results in data being unable to be sent within three days

¹ Due to the need for changes to insurers' Terms of Business Agreement the electronic trading addendum produced by InStep will be reviewed as a separate exercise

Section 4 – Messages Transmissions

Background

Where policy data is sent to insurers electronically failures will sometimes occur, which may be at transmission or single transaction level. Such failures need to be identified and resent as quickly as possible, in a manner that allows them to be recognised as a retransmission.

Controls Required

All systems (whether insurer or software provider) should:

- (a) be capable of retransmission of either a complete transmission (exactly as transmitted previously) or individual message transmission
- (b) provide a facility that audits transmissions sent and received (to a specification to be agreed)²
- (c) Retransmit the requested failed transmission only

Identifying Retransmission in EDI Messages

- (a) Where retransmission of a complete transmission takes place and the sender's reference is not changed or is given a new sender's transmission reference, R should be sent within the STX_PRC D
- (b) Where retransmission is at individual message level, only the required message should be retransmitted and a new sender's transmission reference should be sent.

² This will be considered by ETPG or a subgroup as a separate exercise

Section 5 – Authorisation of Non Standard Processing of Business

Background

Insurers may allow intermediaries to write business on their behalf on a non standard basis. Non standard processing includes the ability for the broker to override referrals/declines/excesses/endorsements/premium/dates at new business, mid term adjustment or renewal. For this reason software providers provide a facility to allow them to do so.

However depending on the nature of the insurer's relationship with the intermediary and the type of non standard processing to be undertaken an insurer may wish the intermediary to contact them to obtain their agreement to use this functionality. Alternatively they may give the intermediary authority to undertake this non standard processing without the need for prior authorisation.

Controls Required

Where Prior Authorisation Required by Insurer

- (a) The software system must require the input of a code, part of which is provided by the insurer
- (b) This code must be validated by the software system prior to the intermediary being given access to that area of the system to effect the non standard processing
- (c) The authorisation code must be sent in the EDI Message

Where Prior Authorisation at Case Level Not Required by Insurer (parameters having already been agreed in advance)

Where non-standard processing takes place which the insurer does not wish to authorise in advance the intermediary will be asked to provide a code which is sent in the EDI message. This code will not need to be verified by the software system.

Applies to Both Prior and Transaction Specific Non Processing

- (a) The insurer should determine which (if any) of these non standard transactions are acceptable, and whether they require authorisation at product level
- (b) Where the non standard processing relates to a date change the schedule should show the true effective date and time of inception. However the certificate and cover note, if applicable, must show the current date and time. The expiry date and time on all documentation should be the true expiry of the policy.

NOTE - Use of Productwriter to allow insurers to set parameters for overrides at scheme or broker level has been discussed. The proposed approach needs to be agreed by those that participated in the discussions, and will be documented here once agreed.

Section 6 – Documentation Auditing

Background

Software provider systems allow an intermediary to reprint documentation for a customer. Where a document is of a legal nature (ie Motor Insurance Cover Notes and Certificates) it is important that the insurer knows when, and how many, documents have been reproduced as they will generally require them to be returned when a policy is cancelled or the risk changes.

The means to monitor production of such documents is therefore a fundamental requirement.

Controls Required

Software systems should provide facilities that enable production of an audit trail of certificates or cover notes produced. This should:

- (a) Identify reprinted documentation on a per insurer basis
- (b) Be date driven
- (c) Be capable of being made available to an insurer on request (either by the intermediary having the capability to print and send the audit trail to the insurer, or through an electronic transmission)