

Supplying Employers' Liability Data - a Broker's Guide

This guide is intended for brokers, managing general agents and delegated authorities and explains the information that needs to be collected from April 2011 as well as additional information which must be supplied from April 2012. The aim of the guide is to answer the more common questions being raised to ensure a consistent approach from the broker market.



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The remit of EL business under the FSA regulations is broad and designed to identify all insurers that have liability or potential liability for commercial lines employers' liability cover in the UK. This includes cover that is required on a compulsory basis by the Employers' Liability (Compulsory) Insurance Act 1969 or on a voluntary basis and applies to all policies issued with an in-force EL section.

Executive Summary

About ELTO

The Employers' Liability Tracing Office (ELTO) is an independent industry body comprising members who are Employers' Liability (EL) insurers.

ELTO is a proactive move by the insurance industry to meet its obligations to help those who have suffered injury or disease in the workplace identify the relevant insurer quickly and efficiently. At the heart of this process is a centralised database – the Employers' Liability Database (ELD).

ELTO's members will be required to supply policy data to the ELD on all new and renewed EL policies from 1 April 2011. The FSA rules also require insurers to submit data in respect of "claims made" for policies pre-dating 1 April 2011. The ELD will be accessible for claimant searches via www.elto.org.uk and will be used to trace EL policies.

ELTO currently represents over 95% of the EL market share and continues to grow (as of March 2011).



An Insurer View

ADRIAN BROWN
Provisional Chair of ELTO

"Brokers have a key role in developing a successful Employers' Liability Database as often they are the link between the insurer and the client.

"The database should be of real benefit to claimants and representatives acting on their behalf. Searches of policies loaded onto the central database should take a matter of minutes and this will increase the speed with which a claimant representative can start making their claim.

"The additional information such as the Employer Reference Number will also mean that any search results will more closely match the search criteria."



A Broker View

STEVE FOULSHAM
Technical Services Manager, BIBA

"At BIBA, we recognise the importance of ELTO to both claimants and the insurance industry.

"We fully endorse this guide as a tool to help brokers make this database a success. We would encourage our members to use this guide as a reference when collecting information about EL policy holders which is now a requirement under FSA regulations."



ELD: Current and Future Requirements

The Financial Services Authority (FSA) has published new regulations that change the way firms record EL information. FSA's new rules and guidance support the insurance industry's move to establish ELTO and create the Employers' Liability Database (ELD) to help potential claimants find their former employer's EL insurer.

For insurers to comply with the new regulations, broker support is essential in capturing and supplying additional policy information that has not been mandated previously.

FSA Regulations

New FSA regulations published in February 2011 state the requirement for insurers to "obtain all information required (including information on all employers covered by policies and ERNs) for policies entered into or renewed from 1 April 2012."

Additional Data Summary

From 1 April 2012, ELTO members will be required to supply the following additional information for new and renewed policies:

- The Employer Reference Number (ERN) for the policyholder and each employer covered on the policy.
- Details of each employer covered by a policy, which will include a full listing of all subsidiary companies.

Subsidiary company information has not been consistently captured by insurers in the past, so this, together with the collation of all applicable ERNs, represents the main new areas of work needed for insurers to satisfy FSA regulations.

ERN

The ELD's ability to provide enquirers with successful trace results will be supported by establishing a unique identifier for employers.

ELTO has adopted the ERN as the most effective unique identifier available. See page 5 for ERN key facts.

All Employers / Subsidiaries

- Records are not required for a company's additional branch and risk addresses.
- For policies incepting or starting from 1 April 2012, the capture of all subsidiary company names is mandatory.
- From 1 April 2012, the ERN is mandatory for new and renewed subsidiary records.

Timescales for Delivery

From 1 April 2012, every new and renewed policy loaded to the ELD needs to include this 'additional data' to pass validation.

To help prepare for this milestone, insurers are beginning to collect the additional data from April 2011 so all parties involved in the supply chain have a 12 months lead time to establish and refine effective processes for collecting and supplying this additional data.

In view of the FSA regulations, it is likely that from April 2012, insurers will be unable to supply new business quotations or renewal terms on existing business without the additional data.



Employer Reference Number (ERN) Key Facts

Each organisation operating a PAYE scheme is allocated an ERN. This is the reference number for their employees' income tax and national insurance contributions; also commonly referred to as 'Employer PAYE Reference'.

The ERN is necessary to help claimants trace their employer's EL insurer

On the Motor Insurance Database (MID), the vehicle registration number is the unique identifier that enables searches to identify the appropriate policy record. The ERN will perform a similar function on ELD and has been adopted by ELTO as the most effective unique identifier available.

Claimants / employees will be able to find the employer's ERN

The ERN is shown on the P45, P60, P11/D and most payslips. Claimants might not always have this information to hand, so from April 2012, HMRC will include the ERN when responding to employee requests for their employment history schedule.

There are very few ERN exemptions

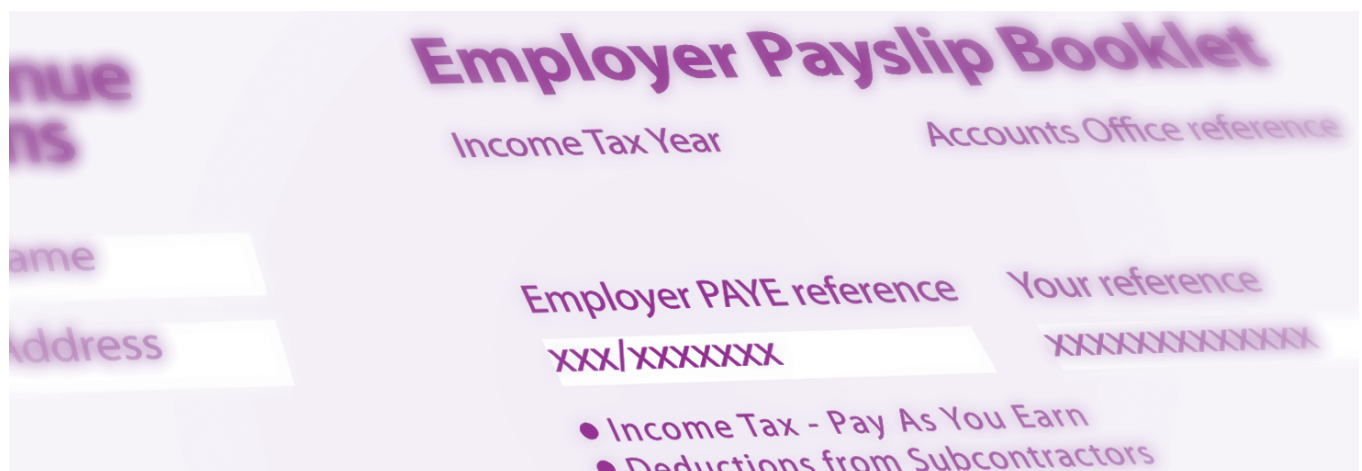
In all cases where PAYE is operated, an ERN is allocated to the employer and the ERN applies to all UK businesses employing one or more people. A minority of employers do not have an ERN, including those that:

- Pay all their employees below the current PAYE threshold (£503.00 monthly)
- Are registered in Guernsey and Jersey (these have no tax presence in the UK).

Some employers have multiple ERNs

Whilst rare, some employers possess more than one ERN, including those operating separate PAYE schemes for different business locations, ex-pats or company directors.

ELTO members are required to capture all ERNs for all employers covered on the policy.





Frequently Asked Questions

What lines of EL business need to be advised to the Employers' Liability Database?

Insurers and brokers will need to provide data on all commercial lines policies with an in-force EL section of cover taken out by employers, unless the FSA specifically exempts it. Household insurance providing EL cover to domestic servants are exempt.

What changes need to be made to broker systems?

ELTO has a working group of insurers, brokers and software houses (Intermediary Working Group), which is striving to ensure that any changes required work in line with accepted industry standards. Polaris published its data schema to software houses in February 2011 for business transacted via the i-market portal. Your software supplier should be able to provide you with more details.

Those operating a Delegated Authority (DA) arrangement or a Managing General Agency (MGA) and all brokers also need to ensure their market

representations clearly contain all necessary information insurers need to comply with the new FSA regulations.

What format do we need to use for supplying data to insurers? Can we develop our own format?

A template has been developed by the industry to ensure that all information is collected in a uniform way. However you must agree with your underwriting insurers as to what format should be used. If you operate a DA arrangement or a MGA facility on behalf of an insurer or insurers, the insurers concerned will discuss with you the best way of supplying all the relevant information.

Are brokers and delegated authorities required to be ELTO members?

Brokers and delegated authorities are not required to be members of ELTO. It is the responsibility of insurers to provide this information to ELTO.

What are the timescales for insurers to submit this data to the ELD?

ELTO's rules require all mandatory policy data relating to 100% of all Insured Employers to which ELD relates to be fully and properly on the ELD within 90 days of the effective date (e.g. cover start date for new business / renewals).

What date should be used in the cover start date?

The Cover Start date is a mandatory field in an EL record and should be populated with the start date of the current version of the policy and not the original inception date. For example, Insurer ABC may have underwritten a policy since 01/01/1980. However, after the ELD goes live in April 2011, the insurer only compulsorily needs to submit the current cover dates (e.g. 01/05/2011 to 30/04/2012.)

If an organisation has multiple locations, should all of these be identified as subsidiary companies so they appear on the ELD?

No, in this case the locations trade under the same organisation name.

How is the format of an ERN structured?

Each ERN is unique to the employer and will not be replicated. On PAYE records, the format for most numbers allocated since 2001 is NNN/Aznnnnn, where NNN is the 3 digit number for the Tax Office whose catchment area the employer falls into, and Aznnnnn is the ERN, where n is numeric and A and z are letters. For numbers allocated prior to 2001, the format is NNN/Annnnn in the majority of cases.

Are changes made to ERNs?

No retrospective changes are made to an employer's ERN. Therefore, even if the employer is taken over, ceases trading or moves tax office, the ERN for a specific point of time is permanent.

What is the HMRC employment history schedule?

This is a list of an individual's employers (past and present) with the dates of employment. This data is drawn from the National Insurance Contributions Office (NICO) database which is linked to the PAYE database. HMRC is planning to include the ERN in its responses to employee requests for their employment schedule from April 2012.

Will it be mandatory for subsidiary companies / records to have an ERN?

Yes, unless the company is ERN exempt as previously detailed. 'ERN exempt' refers only to companies that legitimately do not operate a PAYE scheme and therefore have no ERN. The subsidiary company may also have a different ERN to the parent company depending on the employer set up.

Some companies have more than one ERN – how is this being handled?

Multiple ERNs are only likely to be a feature of larger corporate companies. In these instances, brokers should provide details of all ERNs for an insured. Where electronic trading platforms are being used, then only one ERN is capable of being captured. In this case, the 'most relevant' ERN should be provided; this being the one that covers the majority of the company's employees.

Do all EL insurers require this information?

All insurers that transact EL insurance are regulated by the FSA and are therefore required to comply with the latest FSA regulations. As a result, brokers can expect all EL insurers to be asking for this information.

The FSA regulations do not compel all EL insurers to be a member of ELTO but do require

EL data to be published. It is anticipated, however, that very few insurers will choose not to join ELTO. In March 2011, ELTO members comprised over 95% of annual EL GWP.

An insurer that is not an ELTO member is likely to require brokers to collect the same information. Brokers are encouraged to communicate with their underwriting insurers to understand their requirements.

Can we supply data directly to the ELD?

In most instances, you will only be supplying data to insurers. In some instances, insurers and ELTO may agree for you to send data directly to the ELD. This is likely to be reserved for certain Delegated Authority arrangements and will need to be discussed with individual insurers in the first instance.

Are brokers and DAs required to supply the CHRN?

The Companies House Reference Number (CHRN) is the employer's number provided by the Registrar of Companies. ELTO utilises a facility which searches data downloaded from Companies House so that its members do not need to capture this information. Insurers who are not members of ELTO may, however, request the CHRN from brokers and DAs.

Support Available

For the latest information please visit:

www.elto.org.uk

www.biba.org.uk

www.fsa.gov.uk

www.hmrc.gov.uk/payee/employer-bulletin

ELTO has a dedicated account management team for insurers. If you have any questions, please contact your insurer in the first instance who will then forward your query if they are unable to answer it.

Disclaimer: The notes and information in this guide are for general information purposes only and intended to help you understand what is required but are by no means a comprehensive or complete account of the FSA's Employers' Liability Insurance: Disclosure by Insurers Instrument 2011 or insurers obligations to ELTO. Brokers and other interested parties should not rely on the comments or details of this guide for ensuring compliance with their regulatory obligations and should always consult the FSA regulations (and other applicable rules and regulations as appropriate) to be sure that all their regulatory obligations are being met.

