

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 are now 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 is accessible for claimant searches via www.elto.org.uk and is used to trace EL policies.

ELTO currently represents over 98% of the EL market share and continues to grow (as of October 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 regulations, broker support is essential in capturing and supplying additional policy information that has not been mandated previously

FSA Regulations

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 7 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 records, including 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 began 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.

From April 2012, insurers might not provide cover for policies where additional data (including the ERN) has not been provided. Without this information, insurers will be non-compliant with the FSA's EL regulations.

It is not in anyone's interest for small businesses not to be able to get cover, therefore it is critical that brokers and insurers work together to fulfil the statutory obligations.



What is required, both now and from 1 April 2012?

Required from 1 April 2011	Required from 1 April 2012
New/renewed EL policies with an inception date on/after 1 April 2011	Subsidiary company information and Employer Reference Number (also known as ERN or Employer PAYE reference)
Policies that have a claim settlement date on/after 1 April 2011	

Mandatory Information

All commercial lines EL policies, regardless of whether the business was written through a broker, scheme or Delegated Authority, must be supplied to the relevant insurer as soon as the information is available to allow the insurer to upload the details to the ELD within the regulatory timescale.

Information that is mandatory from 1 April 2011 includes policy number, broker reference (when a DA is supplying data directly to the ELD), policyholder name, employer name, cover start date, cover end date and address details. Many insurers are already beginning to also capture subsidiary company information and ERNs in preparation for the April 2012 deadline.

ERN formats

ERNs will normally begin with three numbers (representing the tax office whose catchment area the employer falls into) followed by a forward slash and then a combination of letters and numbers. e.g. 083/WY12345.

On the HMRC's tax return website however, the slash is not shown. If the reference number is taken from this system, the slash must be inserted in to the number that is conveyed to the insurer. This is to ensure that claimants searching for an employer using the ERN finds the record if it is on the ELD.



P45 Part 3
New employee details
For completion by new employer

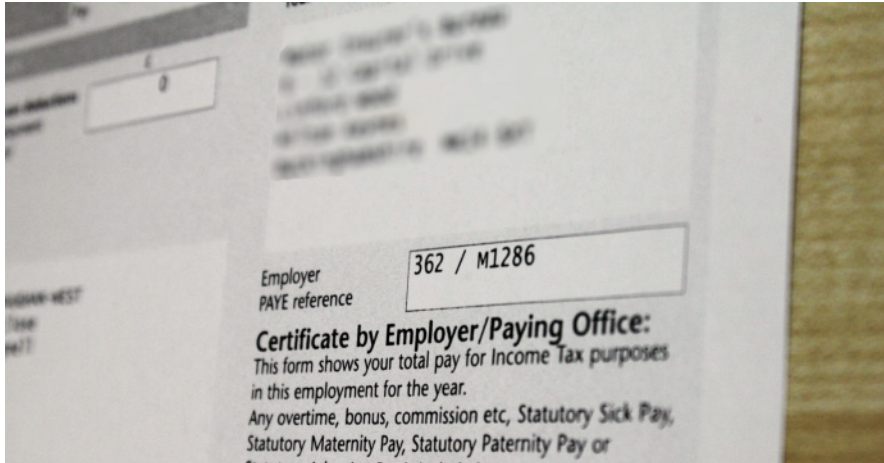
File your employee's P45 online at www.hmrc.gov.uk Use capital letters when completing this form

<p>1 Employer PAYE reference</p> <p style="margin-left: 20px;"><i>Office number Reference number</i></p> <p style="margin-left: 20px;">083 / WY12345</p> <p>2 Employees National Insurance number</p> <p style="margin-left: 20px;">[REDACTED]</p> <p>3 Title - enter MR, MRS, MISS, MS or other title</p> <p style="margin-left: 20px;">[REDACTED]</p>	<p>5 Student Loan deductions</p> <p style="margin-left: 20px;"><input type="checkbox"/> Student Loan deductions to continue</p> <p>6 Tax Code at leaving date</p> <p style="margin-left: 20px;">[REDACTED]</p> <p style="margin-left: 20px;">If week 1 or month 1 applies, enter 'X' in the box below.</p> <p style="margin-left: 20px;">Week 1/Month 1 <input type="checkbox"/></p> <p>7 Last entries on P11 <i>Deductions Working Sheet.</i></p>
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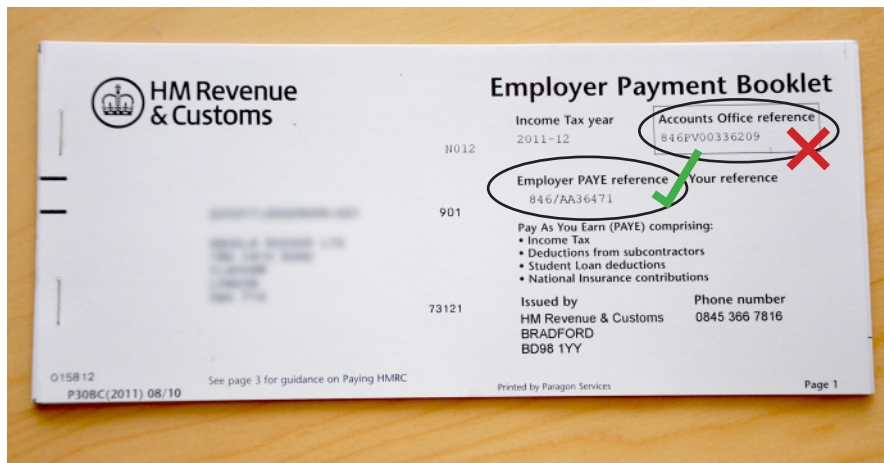
An example of ERN format on a P45 form

Where to find the Employer Reference Number (ERN)

The ERN can be found on many documents including: P45, P60, P11/D and the Employer Payment Booklet. The ERN is collected as a unique identifier for the company concerned.



An ERN on a P60 form



An ERN on an Employer Payment Booklet.

Note: the ERN is not to be confused with HMRC's Accounts Office Reference for employers.

Employer Reference Number 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 many 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 employees below the Lower Earnings Limit, none of the employees has another job, and none of the employees is in receipt of a state or occupational pension or other employee benefits, or;
- Are registered in the Isle of Man, or the Channel Islands (these have no tax presence in the UK).

For more information on the threshold limits, see the HMRC website.

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 employees 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 show the information that is required for ELTO purposes. However you must agree with your 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.

Insurers are collecting EL policy data in different ways. Some insurers are happy for intermediaries to adapt existing bordereaux, others are requesting information to be supplied in an Excel template. Intermediaries are asked to be as flexible as possible in supplying this information to insurers. This benefits all users of the system including your policyholders.

Intermediaries are encouraged to discuss requirements directly with individual insurers.

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.)

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'. 'nnn' is the 3 digit number for the Tax Office whose catchment area the employer falls into. '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.

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.

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.

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.

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 September 2011, ELTO members comprised over 98% 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:

Our dedicated section for intermediaries: www.elto.org.uk/Broker_Info.aspx

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.