

Employers' Liability Tracing Office (ELTO)



April 2010



Leading the way for Employers Liability insurance best practice

The insurance industry is committed to improving the tracing of Employers' Liability insurance policies for the benefit of claimants, customers and insurers and has had a Code of Practice run by the ABI since November 1999. The Code of Practice sets out the procedures insurers will follow – and the standards they will meet – if they are asked to help trace an employer's EL insurance policy.

There have been calls by policymakers to improve the success of the tracing service and even to establish a fund of last resort for claimants who are unable to trace their employer's insurance policy at all.

ELTO Background

When the Government made its announcement on Pleural Plaques, the Secretary of State for Justice announced a comprehensive consultation on tracing, looking at the establishment of an ELTO as well as an Employers' Liability Insurance Bureau which would impose a statutory basis for tracing and compensation.

The industry has been discussing the establishment and delivery of a centralised database of EL policies to further improve the claims process for claimants. The ABI and the ELTO Programme Board, initially set up for this first phase of work and chaired by Anne Griffiths, Head of Casualty UK General Insurance for Zurich Insurance, set out the initial requirements, including the development of a governance proposal for an independent EL Tracing Office (ELTO) including a database of new and renewed EL policy records and new claims made against historic policies.

These recommendations have been extensively discussed with the Government. The intention is for an independent ELTO Board to oversee the performance of the Tracing Office, and will include board members appointed by Government, others such as the TUC representing claimant interests and also insurer representatives.

On 1 April, the ABI made a public announcement on the formal establishment of ELTO appointing a temporary board. This is somewhat in advance of the response to the consultation process but the industry has agreed that work needs to begin in order to achieve delivery of an ELTO database from 2011 onwards. There is widespread industry support for the initiative and EL insurers are being asked to signal their intention to become voluntary members. This requirement is likely to be supported by FSA regulation in the near future. We are pleased to announce Zurich's membership of ELTO.

The proposed ELTO structure

ELTO will be a not-for-profit company limited by guarantee and will be funded by a levy. It will write its own membership rules, including the rule to provide data to the ELTO database in a set format and within set timescales. Failure to do so would result in

financial sanctions enforced by ELTO. In addition, the aim is to see accountability via FSA regulation in order to facilitate compulsion and the ultimate responsibility for the FSA to withdraw authorisation to write EL business for non-compliance.

Important dates

It is important that you are aware of the timescales the insurance industry will be working to and potential impact for you and your customers. We will be keeping you fully informed of the developments for ELTO and working with you to ensure the necessary compliance.

April 2010	Early 2011	January 2011	April 2011	April 2012
Customer services for the ABI Tracing Service will transfer to ELTO and process will commence to enable claimants to have access to the existing tracing services via the ELTO website.	The FSA is expected to introduce regulation for EL insurers to publish EL policy data.	Insurers will be able to voluntarily download policy data to ELTO database.	Insurers will be obligated and regulated to download policy data to ELTO database.	Insurers will be obliged to collect additional information on new and renewed policies including subsidiary company information and unique identifier reference to further aid tracing ability and accuracy.

The main impact for you and your customers will be to ensure you provide insurers with detailed company information including dates subsidiary companies are bought and sold. Insurers will have to submit accurate exposure information for every single Employers' Liability record including information of subsidiary companies.

Zurich's view

- We are committed to paying compensation where it is due and also improving the tracing process. The EL Tracing Code has led to quicker and more successful settlement of Mesothelioma claims. As a major EL insurer, we think the establishment of ELTO is essential to make this claims process even more efficient and is the reason we have agreed to take a leading role on the Programme Board.
- Although the Government is still in the process of receiving representations on its consultation paper on the establishment of ELTO, we want to start developing implementation plans to take this piece of work forward at the earliest opportunity. The ELTO Programme Board will continue to liaise with the Department for Work and Pensions and the Financial Services Authority who will both be key stakeholders in the delivery of ELTO.
- We support FSA registration for ELTO as it is the only way that the industry, the public and other stakeholders can be assured of the robustness of the process. Although voluntary codes can and do work, this will ensure consistent application throughout the EL market.
- Despite our ongoing support for the ELTO initiative and the need to improve the process for the benefit of Mesothelioma claimants, Zurich does not support the establishment of an EL Insurance Bureau. To extend a fund of last resort to all categories of claim and create a bureaucracy similar to the MIB as a solution to the small number of unsuccessful traces seems a disproportionate response. The set up and administration of such a body would be paid for by a levy on insurers which would have to be passed on to customers through higher premiums.
- An ELIB also penalises responsible insurers who have been diligent in retaining and tracing records at the expense of those who chose not to do so.

What you need to do next

- Keep abreast of the changes as they develop
- Advise your customers of these in advance and inform them of the benefit
- Ensure that you work with insurers to support the administration requirements including collection, recording and provision of the data to the Tracing office.

Zurich Insurance plc

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