

BIBA's Top 10 Tips on implementing Industry Guidance

One – check your current processes, procedures and documents in relation to the accuracy of the disclosures concerning the breadth of search and the capacity in which you are working. Remember – these disclosures must be contract-specific.

Two – look again at the terms of business agreements (TOBA) you have with your commercial customers. Do they contain generic descriptions of searching and your capacity? If so your TOBA or processes may require amending.

Three – if you decide to change your current methods, consider using the annex template from the Industry Guidance, or use a TOBA that can easily be adjusted to suit the contract-specific searching and capacity.

Four – do you already inform commercial customers that they have the right to ask you about the commissions you receive? If you do, how prominent do you make this? Remember, Industry Guidance states that it is not sufficient simply to rely on inserting a statement into your commercial customer TOBA.

Five – when you use the services of a wholesale broker or MGA for the placing of a commercial insurance contract, do you notify the commercial customer that you have done this? Industry Guidance reminds firms that commercial customers should be made aware of the presence of others in the distribution chain.

Six – how well developed are your internal policies and processes for identifying and managing potential conflicts of interest that might arise in your business? BIBA have produced two very helpful guidance papers on how to identify and manage conflicts and how to design and implement your own internal conflict management policy. Now might be a good time to fundamentally review your whole approach to conflicts management.

Seven – do you have a formal process to disclose commission upon request to commercial customers? It is not sufficient to simply say that we have had no requests and therefore do not need a process! BIBA issued a guidance note in 2007 assisting firms in creating and implementing a disclosure process. If you already have a process, are you sure your staff know what it is?

Eight – FSA have found that commercial customers often are unaware of the services provided by their broker. Do you clearly set out for your commercial customers details of the nature of the services you provide for them? If not, it would be a very prudent thing to do. Clearly the nature of these services will vary depending on the customer and the complexity of the risks involved. When designing a schedule of services, you could include the specific activities you undertake at the new business stage, mid-term and at renewal. You could also include details of your claims service, the day-to-day support you can make available and, most importantly, the expertise that you can make available and the quality of your advice.

Nine – what plans do you have to train your staff and increase their awareness of any changes you make to processes, procedures or documentation as a result of implementing the Industry Guidance? BIBA will be running a series of half-day training sessions around the UK as part of our efforts to inform firms about the contents of the Industry Guidance and to encourage its use. It would be prudent for firms to supplement this with their own internal awareness training.

Ten – and lastly, where you do make a change to the ways you are currently doing commercial business, it would be prudent to keep a formal record of the changes. The

FSA will be conducting a thematic review in 2010 / 2011 and they will be looking for evidence that firms have improved the clarity and accuracy of the information they give commercial customers.