British Insurance Brokers’ Association
Strategic Review

Consultation paper about proposed changes to BIBA’s governance and a
new segmentation model for its membership

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Dear BIBA member

This consultation paper is a milestone in the development of the British Insurance Brokers’ Association (BIBA). The landscape for general insurance broking has changed significantly since BIBA was created 36 years ago. Yet, it was only last year that BIBA commissioned Deloitte to carry out a full scale review of our trade association’s activities and how we represent our members.

Never before has BIBA reached out to its membership in such an open and enquiring manner seeking their views about what we do and how we do it. This document has been formed by those discussions with members and contains the first of the proposals to emerge from BIBA’s Strategic Review, which is still very much ongoing. These proposals will affect the governance and organisational structure of our association and how we identify the prime segments of our membership and the proposition we offer them.

We need to change to reflect the insurance market as it is today while building flexibility into our association so that we have the capacity to respond to change in the years ahead. We believe that the proposals set out in this document are critical to delivering that goal and will ensure that we better serve our members in future.

Please do not underestimate our energy and commitment for making a success of the Strategic Review, however long it takes. However, we need all our members to play their part in that process. I therefore encourage you to read on and consider the proposals contained within this consultation document. Please get involved in the consultation and work with us to ensure that BIBA becomes bigger, better and stronger than ever before so that we can proudly say it truly represents the needs of all its members and is a leading trade association for the 21st Century.

Yours faithfully

Steve White
Chief Executive
THE STRATEGIC REVIEW SO FAR

The British Insurance Brokers’ Association (BIBA) announced a wide ranging Strategic Review of its operations in May 2012. This move had in part been prompted by our own research following the merger of BIBA and the Institute of Insurance Brokers which surveyed our 2,000 members and asked them what they wanted from their association in future.

The findings of that research showed the majority of members (95%) were satisfied with the job that BIBA was doing on their behalf. However, the real challenge was to move the 42% of members who said they were satisfied with our activities to join the 54% who were either very or extremely satisfied with BIBA.

Respondents to the survey also identified regulation as the main issue facing their business, with 73% saying that BIBA’s focus should be representing brokers to government, while 45% identified protecting brokers’ interests as important and 41% thought that promoting the role of brokers was vital. BIBA acting as the voice of the broker was also considered important by 27% of respondents.

BIBA appointed consultants Deloitte to assist in the review process, which they carried out between April to June 2012. That review work had two key aims:

- To clarify BIBA’s strategic role; what should BIBA’s future role be to fulfil its mission?
- Evaluation of BIBA’s strategic approach; how can BIBA work most effectively to meet its future objectives?

Deloitte interviewed a large number of BIBA’s key stakeholders from a wide range of companies and organisations, ranging from regulators to the trade press as well as BIBA’s broker members and non-members. Deloitte also accessed and reviewed a wide range of documents and management information considered pertinent to BIBA’s activities, including Board minutes, business plans, accounts data and member communications.

Deloitte produced a detailed report of its findings which recommended work in six key areas. In response, BIBA set up six working groups to take this work through to a new level. A steering group, led by BIBA’s chairman Andy Homer, also sought to guide the workstreams and bring depth and consistency to the process. More information on this process can be found on the Strategic Review section of BIBA’s website at:


This past year has seen detailed investigations by six workstreams, made up of BIBA Board and Executive members, into:

- Board governance;
- Member segmentation;
- The executive team’s structure and resourcing;
- Commercial activities;
- Communicating with one voice; and
- A code of conduct.
The BIBA team visited each of our thirteen regions where we gathered invaluable feedback from members about the review. Our conversations with you have enabled us to develop recommendations which we believe will ensure we have the right structure to best serve you in future.

BIBA’s six workstreams developed a whole raft of proposals about how to improve our service to you. However, these ideas are impossible to implement all at the same time; we only have finite resources. BIBA needs to prioritise what it takes forward and ensure that any proposals for change have very real benefits for its members. We need to know that our membership understands what we are doing and why. We also need to ensure that what we do has the consensus of our members. This is why consultation with you is so important.

Hence the reason why, when BIBA has six workstreams we have initially chosen to take the proposals of two workstreams forward first. Given the strategic review’s complexity, we have decided to focus in this consultation paper on the areas that are of such fundamental importance to BIBA that they will be our first priority. These two areas are the proposals from the Segmentation workstream and the Governance workstream. Get these areas right and the proposals from the other workstreams will flow naturally from them.
OUR PROPOSALS

SECTION ONE - SEGMENTATION WORKSTREAM

One of the key findings of the Deloitte report was that:

“BIBA does not currently undertake member segmentation that enables them to engage with and focus on the needs of relevant member groups.”

During the course of BIBA’s presentations around the country the BIBA Board and Executive were able to witness for themselves the diversity of our regions. Our discussions re-confirmed that the BIBA membership is not a single, homogenous group, but a wide range of businesses with varied interests.

BIBA’s historical division of its membership base for engagement purposes solely along regional lines was looking increasingly ineffective. Member feedback suggested that to continue with a geographical segmentation in this day and age would not keep BIBA ‘connected’ in today’s world. While some segmentation by size of member firm was taking place, this was primarily for billing of membership fee purposes.

This led the Segmentation workstream to give consideration to an alternative segment-based approach to engagement. Underpinning their work was the recognition that segmentation is crucial to understanding members and delivering value to them. The workstream looked to identify prime segments of the BIBA membership, which have distinctive preferences and characteristics that can be identified on the membership database going forward. Once identified, those prime segments would receive a more tailored proposition to better suit their representation needs.

New membership model proposed

The Segmentation workstream explored different options for re-categorising the membership in discussion with members around the regions. They have now put forward the following model that separates members into five broad segments as follows:

- **Segment 1**
  - Small Firms North
  - < £1 m commission and fee income

- **Segment 2**
  - Small Firms South
  - < £1 m commission and fee income

- **Segment 3**
  - Larger Firms
  - > £1 m commission and fee income

- **Segment 4**
  - Networks, Aggregators, MGAs and other distributors

- **Segment 5**
  - UK Nationals
  - London Market and International
- Small firms North with a commission and fee income of less than £1m;
- Small firms South with a commission and fee income of less than £1m;
- Larger firms with a commission and fee income of greater than £1m;
- Networks, aggregators and MGAs; and
- UK nationals, London market and international members.

**Why are we proposing this form of segmentation of members?**

As a member driven trade association BIBA works to improve the voice of its members in its strategy and activities. BIBA's membership data suggests that 85% of our members employ less than ten people, conversely the remaining 15% control a very high percentage of premium spend.

The constitution of BIBA’s Board needs to better represent the membership segmentation and this transformation may take some time – with the bias towards small firms. We think that it is right that a regional focus is reflected in that small firms group, with a national focus on other segments made up of larger firms.

We are proposing this new segmentation model as we believe it helps to rebalance the Board and gives a fairer voice and representation to all the various constituents which make up BIBA’s membership. Better segmentation will allow BIBA to engage with and focus on the needs of relevant member groups more closely.

The Segmentation workstream consulted widely with the membership and this was the model that received the most support.

This recommendation will come with the safeguard that the segmentation model is reviewed every five years to reflect changes in the structure and form of the market, and allow possible rebalance of the segments if needed.

**Board approval**

BIBA’s Board has endorsed this proposed segmentation model and we now open it up for consultation with you. Please send us your views by responding to the questions at the end of section one.

**Data collection**

A factor that was identified as restraining BIBA from developing a more effective approach to segmenting our member firms is the lack of information that we currently hold about them on our membership database. BIBA currently has very little information about its members, beyond their names, addresses, contact details and number of employees. If we want to better segment our members in future we will need to collect more information about their businesses. In addition, our proposed new segmentation model will need to be updated and refined on a regular basis to ensure that our proposition to members remains current and valid.

We are in the process of a data collection project that will assist in identifying which information members are comfortable with disclosing to us i.e. commission and fee income etc. The information that we are proposing to collect from members in future is detailed below:

- The name of the CEO/principal contact for your company/branch or office.
- Total number of employees including accounts, IT and administrative staff (used for representation purposes only).
- The number of general insurance broking staff.
• Company commission and fee income for general insurance business.
• The name of your software provider.
• Whether anyone at the firm has a connection to a serving MP, Lord or MEP which they are willing to share for lobbying purposes on behalf of the sector.
• Do you deal in personal lines, commercial lines, or both?
• If both, what percentage of your business is commercial?
• Do you specialise in a particular product/cover? Please provide details of the top three.
• Do you wholesale?
• If yes, what percentage of your commission and fee income is from wholesale business?

We do not want to collect information from our members just for the sake of it. What we collect in future needs to be useful and aid us in tailoring our services towards our membership. We also recognise that some of the data that we are proposing to collect is commercially sensitive and needs to be handled carefully. We want to hear from you about what you think is a minimum data suite that we can reasonably collect from members in order to aid segmentation and effectiveness, plus promote our sector with unified statistics. Please send us your views by responding to the questions at the end of section one.

QUESTIONS

Question 1
Do you agree that the proposed Segmentation model realistically reflects how BIBA’s membership should be divided up in future? Please give us your reasons.

Question 2
What do you see as being the difficulties associated with the proposed segmentation model?

Question 3
Do you have any comments in relation to the commission and fee income levels used in the model?

Question 4
Do you agree that the information we are proposing to collect from members is the correct information?

Question 5
If not, do you have any comments about what alternative data we should be collecting from members that would be more useful?

Question 6
What assurances would you want to see in place before you were willing to submit further information to BIBA?
OUR PROPOSALS

SECTION TWO - GOVERNANCE WORKSTREAM

The Deloitte report noted:

“In order to increase the effectiveness of BIBA’s Board, its size and composition should be reviewed and its role clarified.”

and

“The role of the Board should primarily be to focus on setting strategy and challenging the BIBA Executive.”

BIBA’s Governance workstream saw the association’s corporate governance as the starting point from which all changes proposed as part of the Strategic Review will flow. Getting the corporate governance right will ensure the sound management of our association’s affairs and provide us with the basis for success in future.

In order to take the Governance workstream forward more easily, its investigations were split into three main elements looking at: a revised main Board structure; proposals for an Advisory Board structure; and regional committees.

A revised main Board structure

Discussions with members around the regions showed that they recognised how vitally important governance is to the organisation, but that the current size of the Board was too unwieldy. We also received comments that the constitution of the Board did not accurately reflect the current make up of BIBA’s membership, resulting in an imbalance with some sectors being overly or not properly represented at this level. Members were also unclear about what the approach to selecting representatives for the Board from the regions was.

As a result of this feedback the Governance workstream has recommended an overhaul of BIBA’s main Board structure, altering its size and constitution to better reflect the segmentation of our membership. The workstream has recommended the following changes to the Board’s constitution:

- Board size to be 10-12 members in total;
- The chairman should be elected by the Board for a term of two years, with allowance for a maximum of three years;
- A deputy chairman to be elected by the Board for a term of three years;
- The BIBA Executive to have three reserved places on the Board, the CEO plus two executive directors and a minimum of two serving;
- One independent non-executive director (NED) to be elected by the Board and re-elected every three years, who can serve for a maximum of two terms;
- Other Board members to be elected by the Board and re-elected every three years, to serve a maximum of two terms and represent advisory groups or segment groups within the BIBA membership.
Were these changes to be implemented, the main Board would comprise in future:

- A chairman;
- A deputy chairman;
- An independent non-executive director;
- BIBA’s CEO
- Two others directors from the BIBA Executive;
- Chair of chairs from a regional chairman’s committee; and
- The balance of the Board made up of member representatives whose selection is based upon the proposed five segments mentioned in the new membership model rather than on regional representation.

It was felt that the proposed changes would help rebalance and re-focus the Board allowing it once more to focus on strategy and the future of BIBA, rather than points of detail. The new main Board would be subject to periodical review to ensure that it maintains its effectiveness and optimum efficiency.

We would aim to have the new structure in place by 1 January 2014.

**Appointment of a non-executive director (NED)**

BIBA’s Board has never been subject to the scrutiny of a senior, independent NED. Yet the rise of the non-executive director has been a significant trend in recent years driven by corporate scandals such as Enron, WorldCom and others. Corporate governance in the UK has also been developing steadily since the early 1990s, with several reports including Higgs and Tyson shining a spotlight on NEDs in recent years.

The UK’s financial regulator has not been slow to act either and has been putting increasing emphasis on how a regulated firm governs itself and the responsibilities of its Board. In a regulated environment where the majority of our association’s membership fees come from firms who themselves have to have independent director/s, the BIBA Board maintains we need to move with the times. BIBA’s Board has, however, decided against the Deloitte recommendation that there are two or even three independent directors on the new main Board and to proceed with a single one.

This individual would offer independent challenge and constructive scrutiny of what the BIBA Board does. This does of course have cost implications for BIBA. We would expect a NED to commit to attending ten days per annum. The Institute of Directors estimates that the average daily rate of a NED is in the region of £1,750 to £2,000. Given the relatively small size of BIBA, there have been reservations among some Board members about what they perceive to be the cost associated with such a move and its relevance to the association and its members. However, there is a counter argument that these costs are justified. If we are to make the step change that is required in our governance then those costs will need to be absorbed by the association.

BIBA would of course have to scope out the role of this individual and the kind of skills we think appropriate to the position. It is envisaged that a new independent director would be able to bring in additional skills and expertise into BIBA at a time when it was undergoing significant changes. They would also be able to assist the existing Board in determining selection criteria for the new main Board, defining roles and responsibilities for its members and seeing that the new governance regime becomes well established in the organisation over time.
GIBC and the Advisory Board Structure

Discussions with members showed that there was a need for some rationalisation of BIBA’s committees. Many of the committees were historical, and it was felt that some updating of them was needed with the possible disbanding of those that were no longer suited to their purpose. There was also a drive for BIBA to develop clear, updated, terms of reference and for stronger oversight by the BIBA Executive of its committees.

This led the Governance workstream to recommend a revised structure to support the new main Board. It has proposed that the main Board will be supported by six Advisory Boards in future. This new Advisory Board structure would replace the General Insurance Brokers’ Committee.

An Advisory Board will be formed for each member segment as proposed in the new membership segmentation model, plus one composed of the chairmen from our regional committees. Each Advisory Board will elect its own chairman who will represent that segment at main Board level. It was felt that these Advisory Boards will connect BIBA at the highest levels both with market trends and developments, and also with the most senior stakeholders externally. They would provide advice to the Board in respect of issues affecting their segment. The Advisory Boards would also undertake ad-hoc tasks as directed by the Board.

Proposed new governance structure
The Governance workstream has also recommended that with regards to the Advisory Boards:

- There should be a restriction to 12 on the number of member representatives per Advisory Board;
- Representatives will serve for a fixed term;
- The Advisory Boards will hold three meetings a year minimum with more if needed;
- The relevant member of the BIBA Executive would attend meetings; and
- The Advisory Board structure will require a degree of ‘secretariat’ oversight, which will probably be able to be absorbed by existing BIBA staff.

**Regional Committees**

Time and again during the Strategic Review discussions with members the importance and value of BIBA’s regional structure to the organisation as a whole was highlighted. The strength of our association clearly lies in being able to communicate through our regions to our membership and for our members, wherever they are based, to feel that their voices are being heard back at BIBA head office.

Despite the positive feedback, there are areas for improvement, with some members, particularly those involved with regional committees, asking for greater clarification and uniformity in the role of the committee and its chairman.

Feedback from a Governance workstream questionnaire to regional committees established:

- That the regional committees should remain in place as they are the catalyst for producing active members who can contribute to the wider good of the organisation
- These committees should be established in such a way to reflect the segmented structure and constituency of the main Board in order to provide direct two way influence
- There should be a regional chairmen’s committee to take the place of GIBC as the members’ advisory board
- Be able to establish more direct contact with the membership through different forms of communication
- Arrange and support local social engagement
- Actively seek to link up with regional representatives of other professional bodies
- Encourage the active involvement of younger brokers
- With guidance from the centre act as the regional political lobbying outlet of the organisation. In Scotland and Northern Ireland there was some demand for local lobbying support given the devolved government.

**Moving forward together – the Regional Advisory Board**

Undoubtedly BIBA will retain its regional committee structure in some form. In order to ensure representation from the regions we will create a Regional Advisory Board, the members of which will be made up from among the regional chairmen serving on our regional committees. This Regional Advisory Board will elect its own chairman, who will have a place on the main Board (in effect a chair of chairs).

It is also proposed that there is stronger executive oversight over the regional committees. It is also desirable that in future the regional committees add greater value to BIBA through the creation of a framework that will ensure greater consistency and clearer objectives for all those involved. We need to do this sensitively, however. Greater central control should be careful to recognise regional issues and not damage the enthusiasm of our members locally.
It is envisaged that once we have realigned what the regions do, an ongoing workstream which will hang off the chair of chairs’ role will look more closely at the remit of the regional committees, what they do, local events and usage of brand etc.

Next steps needed to take the Advisory Board structure forward

Making the transition to an Advisory Board structure will take time and effort. We need to ensure continuity of our existing governance and support structures as well as consistency in our approach to appointments: In particular:

- A selection process will need to be established for invitation to sit on each of the six Advisory Boards. If we have six Advisory Boards with 12 members in each, this means BIBA will need to find 72 individuals to agree to serve on them, six of whom will need to sit on the new main Board.
- Robust terms of reference will need to be drawn up for each Advisory Board.
- The current BIBA Articles of Association will need to be amended in accordance with the final agreed structure.
- The new Articles will need to be voted upon and accepted by members.

The Need for an EGM

The new composition of the main Board will result in a need to change BIBA’s Articles of Association, as will any changes to specific committees to the existing Board and our membership categories. First, a duly convened and quorate meeting of BIBA’s existing board of directors must approve the draft form of the new articles. If Board so resolves, an extraordinary general meeting (EGM) of the members of BIBA may be convened at which the members consider whether to resolve to adopt the new articles. At least 14 clear days’ notice of the EGM should be given to the members. This notice will be given in a separate communication to members from this consultation paper. Once the Articles have been changed, assuming we get member approval, a selection process for Board and the Advisory Board positions can begin.

QUESTIONS

Question 1
Do you have any comments on the proposed new Board structure? Does its size and constituency provide sufficient and fair representation to all prime segments of our membership?

Question 2
Do you agree with the appointment of a non-executive director to the Board of BIBA? Please give your reasons for your approval or disapproval of this measure.

Question 3
Do you agree with the proposed Advisory Board structure which would replace the General Insurance Brokers’ Committee?

Question 4
Do you agree with the recommendations with regards to the functioning of the Advisory Boards?
HOW TO RESPOND TO THE CONSULTATION

BIBA invites written views and comments on the issues raised in this consultation paper, to be made **by 5pm on 31 August 2013**. It would be helpful if your response could include direct answers to the questions asked in this document, which are listed together on page 14.

It would also help if you can explain why you hold your views and how BIBA’s proposals would impact on you. Please tell us whether you are responding as an individual or as representative of your firm.

BIBA would prefer to receive responses using the web template form at:

http://www.biba.org.uk/UploadedFiles/901bibastrategicreviewconsultationresponsefinal.doc

This will help us to process the responses more quickly and efficiently. Your forms can be sent to the following email address: CEO@biba.org.uk.

Responses may alternatively be posted or faxed to the address below, marked for the attention of: Vannessa Young, Strategic Review project manager, John Stow House, 18 Bevis Marks, London EC3A 7JB. Fax: 020 7626 9676.

Please note that we do not need a hard copy in addition to an electronic version. BIBA will acknowledge receipt of responses if they are submitted using the online web form but not otherwise.

**Further information**

If you want to discuss the issues and questions raised in this consultation, or need advice on the appropriate form of response, please contact Steve White, BIBA’s CEO, on 020 7397 0222.

**Confidentiality**

BIBA believes that it is important for our membership to see the views expressed by others as part of this consultation. We therefore aim to publish all responses on the strategic review section of our website at:


If you think your response should be kept confidential, can you please specify what part or whether all of your response should be kept confidential, and specify why. BIBA’s Board and Executive will treat your request seriously and will try to respect this. Confidentiality may not always be possible, however, in which case we will inform you prior to publication that your request has been unsuccessful.

**What happens next?**

Following the end of the consultation period, BIBA will consider the responses received from its membership. We intend to publish feedback and a statement in Q4 2013.
REITERATION OF QUESTIONS FOR CONSULTATION

QUESTIONS SECTION ONE

Question 1
Do you agree that the proposed Segmentation model realistically reflects how BIBA’s membership should be divided up in future? Please give us your reasons.

Question 2
Do you believe there are any difficulties associated with the proposed segmentation model?

Question 3
Do you have any comments in relation to the commission and fee income levels used in the model?

Question 4
Do you agree that the information we are proposing to collect from members is the correct information?

Question 5
If not, do you have any comments about what alternative data we should be collecting from members that would be more useful?

Question 6
Do you want any assurances in place before you were willing to submit further information to BIBA? If so what would these be?

QUESTIONS SECTION TWO

Question 1
Do you have any comments on the proposed new Board structure? Does its size and constituency provide sufficient and fair representation to all prime segments of our membership?

Question 2
Do you agree with the appointment of a non-executive director to the Board of BIBA? Please give your reasons for your approval or disapproval of this measure.

Question 3
Do you agree with the proposed Advisory Board structure which would replace the General Insurance Brokers’ Committee?

Question 4
Do you agree with the recommendations with regards to the functioning of the Advisory Boards?
OUR OTHER WORKSTREAMS – WHAT HAPPENS NEXT?

BIBA’s Strategic Review is by no means complete. As we have already stated, the proposals in this document represent the first to emerge from the review. There is still much work to do, not only in pressing forward with the proposals from the Governance and Segmentation workstreams, but also to look more closely at what our other workstreams have recommended and progressing them too.

This will take time and resource. BIBA does not want to rush into something and then find that we have taken a wrong turning. We wish to take each step of the review process carefully and consider each step along the way in consultation with our members. In particular, you will see more information emerging on:

The Code of Conduct workstream generated considerable debate among members about its contents and scope. Members have told us there is a strong case for BIBA to play a more active role in raising standards. We will work on a code, or similar, to deliver this.

We embarked on this review to improve BIBA’s support for members and the Executive resourcing workstream has been considering ways to do that. Strengthening the BIBA Executive, particularly in public affairs and regulation will create a team capable of delivering this aspiration.

Our One Voice workstream will also work with key stakeholders, influencers and decision makers within other associations to ensure that the broker’s voice is heard loud and clear.

Analysis by the Commercial Activities workstream confirmed how important income from outside of membership subscriptions is to BIBA, allowing us to keep costs to members down and invest in additional resources to promote brokers such as research. We will explore further how to make the BIBA schemes selection process more robust and improve the customer journey for those using our call centre and ‘Find a Broker’ website.

We hope that you treat all subsequent consultation papers emerging from the Strategic Review process during 2014 with as much enthusiasm as you have this first document.