

# the broker



**Global champions:**  
discover BIPAR  
and the WFII

**Use your grey matter:**  
opportunities  
from old  
age policies

**BIBA on parade:**  
what we're  
doing for you

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## the broker

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## WELCOME



**always activity going on.**

**What does membership mean to you? Brokers joining BIBA may choose to become active in their local areas – our regional network of branches means there is**

Others may take part in policy steering activities, such as through the GIBC at head office. There are also many who, because of their work commitments, can only keep their involvement to a minimum.

But, no matter what you do or how much time you can spare, BIBA is always working on behalf of its members in some capacity.

Andrew Tjaardstra, in his article on page 16, met with key BIBA people and discovered that there is enormous variety, ranging from political lobbying to assessing and running schemes to helping members with insurer disputes.

As the recent decision to regulate travel insurance shows, persistence can pay off – our lobbying work on this issue started more than two years ago and we are convinced that as a result of this, the benefits to both consumers and brokers will be substantial.

I would also like to thank broker Neil Grimshaw for supplying our Right to Reply column on page 5. Neil was inspired to write after reading an article we ran in the summer issue which stated that the road to setting up a start-up brokerage was fraught with pitfalls. As Neil says, there may be challenges, but it is certainly not impossible to start a new business and we wish him continued success.



**Leighann Burtrand**  
Editor of *the broker*

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Have the marketing departments taken over the running of insurance companies?... One has to wonder if someone, somewhere, has lost the plot

August is traditionally a quiet month, but as **Eric Galbraith**, BIBA's chief executive, explains there is no let up on the campaigning front, holiday season or no holiday season

The creation of BIBA as an influential force was an ambition that I harboured when I joined the organisation back in 2003. My desire was to see BIBA become more powerful at lobbying and over the years we have never been afraid to speak up on behalf of members. The good news is that these efforts are paying dividends. BIBA is increasingly becoming the first point of call when the Government and regulators want guidance.

#### **Travel regulation – it cannot happen quickly enough**

One of the most recent examples of where BIBA has worked successfully to sway opinion relates to HM Treasury's decision to extend the scope of statutory regulation to include the selling of travel insurance alongside a holiday. We put in an enormous amount of hard work on this issue, with much of it led by Graeme Trudgill, our technical services manager. Consumers will see a fairer deal from 2009. My only regret is that it is not happening sooner.

#### **Putting members and consumers first**

Meanwhile, we have been fiercely critical of the FSA's proposals to unlevel the playing field through its proposals for reforming its Insurance Conduct of Business regime. The regulator is proposing to give direct writers further rights to provide less disclosure to customers when making sales than that required from intermediaries.

Steve White, BIBA's head of compliance and training, will continue to campaign for the rights of consumers to be treated fairly and that means helping the public to understand insurance and buy products that meet their needs. We believe brokers should not be subject to a different set of disclosures. We know consumers are confused about buying insurance and the status of the firm they are buying it from – and so does the regulator. We are determined to see common sense prevail.

The FSA's Retail Distribution Review is a further area of concern. BIBA recently declared support for the Association of Independent Financial Advisers stance on this. They warned that the implementation of some of the review's proposals would result in reduced access for consumers and that independent advice would become the preserve of the wealthy. BIBA also recognises the importance of advice in the buying process for all consumers and will battle to ensure no similar moves are suggested for the general insurance sector.

#### **Marketing – has someone lost the plot?**

Have the marketing departments taken over the running of insurance companies? Do they really believe that the commoditisation of general insurance will either treat customers fairly or promote the industry's reputation?

Recently, we have had examples of insurers promoting the purchase of direct commercial insurance as being better and quicker than through a broker. Marketing material has been sent to members urging them to buy this cover with little regard, if any, to the fact that it is those very intermediated channels which bring most of this business to the insurer. One has to wonder if someone, somewhere, has lost the plot.

Unfortunately, I expect to see increasing competition from direct insurers. I hope brokers will recognise those insurers who support the intermediated channel and compete even harder for this business. BIBA will be on hand to offer encouragement which is why over the summer months we have been collecting case studies from members about the value of advice and the services that they offer. This will allow BIBA to launch a pro-broker campaign later this year.

#### **A real 'market failure'**

I am sure we will hear more from the regulator about so-called 'market failures' in the months ahead. For me, the real market failure is where consumers are not insured or inadequately insured. Take, for example, the recent UK floods – how often have we heard that certain individuals or companies do not have cover? That is market failure. The Government and the regulator should ask why this happened and not be blackmailed into providing funds for uninsured parties unless there is a payback.

The insurance industry has responded well to the severe weather claims. It is now the Government's turn to act to protect the public and implement those much-needed flood defences. What we cannot afford is further procrastination about whether such measures are necessary, and at what cost.

Email Eric Galbraith at [galbraith@biba.org.uk](mailto:galbraith@biba.org.uk)

## The future is bright

**In the last issue of *the broker*, Katy Dowell's article, *An Endangered Species?* talked about the pitfalls of new broker start-ups. This suggested it was incredibly challenging to launch. But it is not impossible – so here is my story.**

Ravenhall Risk Solutions started trading from scratch in September 2006 – that meant no agencies nor clients, from day one.

It was a big risk for a 25-year-old, coupled with the fact that we are in a soft market and a perception that authorisation is a huge barrier.

Receiving the FSA authorisation form filled me with dread, this was the longest, most in-depth form I have ever had to complete, with no support, network or compliance assistance.

But, the FSA was one of the easiest organisations to deal with, in their assistance and encouragement.

Once authorised, the challenge of obtaining agencies was next on the agenda. The major insurers were all sceptical, but this is a relationships industry. I found an honest and enthusiastic approach, and a lot of travelling, gained me probationary agencies with some of the key names – and once you have three or four under your belt, the rest become interested.

It is true aggregators and consolidators are the biggest movers in this industry sector, but that is why smaller brokers need to demonstrate the traditional principles of broking.

That means providing a service to clients (often where a website can't) and showing your value in an industry where sometimes, especially for smaller commercial and personal clients, there is no service and support, especially on a face-to-face basis.

Ravenhall Risk Solutions has now completed its first financial year to a higher level of success than originally budgeted.

With three staff and a growing client bank, the future for new start-ups doesn't seem as bleak to me as the article portrayed. In fact, I found that our industry and regulators are keen to encourage compliant, entrepreneurial and professional enterprises. It's been the best move I have ever made.

**Neil Grimshaw is director of Ravenhall Risk Solutions**



Neil Grimshaw

## New online launch

**BIBA is set to launch a new website by the end of the year which will include new information, have better navigation and will also attract more consumers who are looking for brokers.**

A working group, comprising BIBA head office representatives and members, has been set up to test the new features and advise on future development.

Communications manager Leighann Burtrand is overseeing the project. She says: "We see this as a priority and are making a considerable investment in creating the new site."

She explains the current website was last fully redesigned in 2002. Since then, numerous new sections have been added, including: the regional websites, a regulation area, a PI section, far more on training including a dedicated area for broker ASSESS and the self-service

portal – this allows brokers to update their own membership details.

Since BIBA will be looking to add on further sections, a new website is now essential.

Leighann says: "We have appointed an agency and their brief is to allow us to have far more on the site but in a format which is less cluttered."

Apart from the benefits for members, there will also be an improved Find a Broker section for consumers, allowing them to find either specialist or local brokers using key words or post codes. The aim is to have a 'parallel' consumer-friendly home page – although still part of the main BIBA site – for the public, which will also be packed with useful guidance and advice. BIBA will appoint an external company specialising in search engine optimisation to maximise the number of consumers visiting the site.

## Watertight cover by brokers

**BIBA is urging consumers to use brokers and to focus on buying the right cover following the recent devastating floods.**

Many UK counties were affected by the flooding. Thousands of people were forced to evacuate their homes.

Following overwhelming pressure on insurers, there has been criticism that payouts have been too slow, with Prime Minister Gordon Brown urging them to speed up.

BIBA, meanwhile, has been championing the role of brokers who are able to support clients with claims – and help put pressure on insurers to handle claims quickly. Chief executive Eric Galbraith and technical services manager Graeme Trudgill made many media appearances.

Graeme comments: "Overall we know that insurers have worked incredibly hard to

**In the news: where BIBA provided guidance**

- *The one show* (BBC One)
- *Sky News*
- *Consumer Programme* (BBC Three Counties)
- *Financial Times*
- *Independent on Sunday*
- *The Times*
- Press Association
- *Mail on Sunday*
- *The Observer*
- *Sunday Express*
- *Daily Express*

provide a quality service for their policyholders. But, there have been some cases, unavoidably, where this has fallen short – or where cover has not been purchased. Our message is that brokers are best placed to find the suitable insurance and that people should not be too hung up on price – it is not everything."



## Big names line up for Y&N conference

**A top-notch speaker programme and exhibition is in place for Insuring the Broker's Future, this year's inaugural Yorkshire and Northern region conference.**

It will take place on 3 October at the Royal Armouries Museum in Leeds (pictured above) and regional executive Ian Raper says: "We're looking forward to a fantastic event. We have some superb speakers lined up and our exhibition is filled to capacity with 37 exhibitors, including many schemes providers. We're looking forward to seeing as many brokers as possible and although there is a lot going on, there will be plenty of time for networking during the breaks and after."

**Registration starts at 08.30 and the programme will include:**

- **BIBA overview** from chief executive Eric Galbraith
- **The evolution of insurance distribution over the next 10 years** – Mark Cliff, AXA's distribution manager
- **Update from the Financial Services Authority (FSA)** including the move to principles-based regulation – Wilson Fraser, associate,

FSA's small firms division, in a session chaired by Steve White, BIBA head of compliance and training

- **To sell or not to sell your business – and other options** – Grant Ellis, chief executive officer, the Broker Network
- **Poacher or gamekeeper? Reconciling being underwriter and broker** – Andy Homer, chief executive, Towergate Group
- **Treating brokers fairly in a soft market** – Chris Hanks, Allianz Commercial UK general manager
- **Insuring our future** – Andy Hanselman, chief executive officer, Andy Hanselman Consulting.

The event will be introduced by regional chairman Martin Spenceley, and Denis Pinnegar, a BIBA regional media officer, will announce the sessions.

The cost for the day, which concludes at around 16.30, is £50 and includes lunch, refreshments and parking.

Brokers can register online via the BIBA website and for further information, should contact Ian Raper on [ian@rapporttechnical.com](mailto:ian@rapporttechnical.com) or telephone 01274 209748.

### Scottish BIBA Conference 2007

## Leading the way in Scotland

**This year's BIBA Scotland Conference takes place on 14 November at Airth Castle, near Stirling.**

Airth Castle is an idyllic setting for this top-class event, which has secured sponsorship again from major insurers AXA, NIG, Zurich and Norwich Union.

This is the third year BIBA Scotland has titled the event 'Backing Scotland', with much of the planning and organisation being handled by BIBA regional executive Clive Hurn, who comments: "We were delighted with the response to last year's conference and this one promises to be even bigger and better. The content will be topical, relevant and, of course, there will be plenty of opportunity for networking."

He is again being supported in the event management by leading Scottish conference organisers, Meeting Makers.

Last year, there were nearly 190 delegates at the conference. Clive believes this year the number of delegates will exceed 200. Many of Scotland's leading brokers will be present, including Ken Whitton, chairman of BIBA Scotland, BIBA chairman Derek Thornton and BIBA chief executive, Eric Galbraith. The event will be compared by Bruce Fummy, a Scottish comedian and teacher, with previous experience in the financial services sector.

There will also be plenty of networking opportunities throughout the day and the event includes lunch, tea and coffee breaks within the delegate fee.

Delegate packs will be issued in

### Event highlights


**The programme includes:**

- the FSA will have a stand. Andrew Honey, head of insurance, small firms division, will present on compliance regulation
- presentations from Gary Stott – AXA Insurance – head of commercial general insurance division and Brendan McManus – chief executive officer, Willis UK & Ireland
- an update on telematics
- inspirational speakers
- an exhibition from BIBA's Schemes and Facilities providers.

early September and these will provide full details on registration.

While the event takes place on a single day, it is expected many brokers will choose to arrive the night before so that they can enjoy the beautiful surroundings of Airth Castle, which is now a luxurious hotel and spa. The glorious building dates back to the 14th century and was once owned by the family of Robert the Bruce. Members – and their partners – who feel they would benefit from some pampering will also enjoy the facilities of the hotel's Cloud Nine Leisure and Beauty Spa.

 **For further information contact Meeting Makers. Telephone Fiona McGillivray on 0141 434 1500 or email: [Biba@meetingmakers.co.uk](mailto:Biba@meetingmakers.co.uk) Or contact Clive Hurn on 07836 609960 or email [hurnc@biba.org.uk](mailto:hurnc@biba.org.uk)**

 For details of BIBA's **regional executive contacts**, please see the BIBA website, [www.biba.org.uk/broker/committeesfinal.html](http://www.biba.org.uk/broker/committeesfinal.html)





# “Swiftly” secures the BIBA press prize

Sharp writing and market knowledge gain Jonathan Swift the top BIBA accolade

**Jonathan Swift, editor of *Post Magazine*, has won BIBA's 2007 Journalist of the Year award.**

Known as “Swiftly” among colleagues and contacts, Jonathan has steered *Post Magazine* to continued success along with his long-serving team. And, as his entries showed, his sharp writing style and inside market knowledge put him at the top of his game.

The awards showcase journalists who have used their work to further understanding of what can often be highly complex insurance issues.

BIBA chief executive Eric Galbraith presented the award to Jonathan at a ceremony held at Marsh's head office in the City of London. He said: “This was one of our strongest years in terms of the quality of work submitted and we received over 100 articles for our judging panel to assess. I believe that this year's short-listed journalists represent the strongest

group that we have ever had the pleasure to work with.”

He added as well as looking at the originality and style of writing, and the quality of related research or investigatory work, the judges were asked to identify the journalists that raised awareness of general insurance subjects through their work and provide an insight into general insurance issues.



Winning feeling: Jonathan Swift

## The roll of honour

### BIBA Journalist of the Year

**Overall winner:** Jonathan Swift, *Post Magazine*

**Runner up:** Simon Gompertz, BBC, *Working Lunch*

### Consumer Broadsheet

**Winner:** James Daley, *The Independent*

**Highly Commended:** Lisa Bachelor, *The Observer*

### Consumer Tabloid

**Winner:** John Husband, *Daily Mirror*

**Highly Commended:** Stephen Womack, *Mail on Sunday*

### Best Consumer Advice

**Winner:** Simon Gompertz, BBC, *Working Lunch*

**Highly Commended:** Kirstie Redford, freelance

### Trade Research

**Winner:** Lynn Rouse, *Post Magazine*

**Highly Commended:** Tanya Powley, *Post Magazine*

### Trade Feature

**Winner:** Lynn Rouse, *Post Magazine*

**Highly Commended:** Chris Wheal, *Insurance Times*

### Trade News

**Winner:** Sarah Hills, *Insurance Age*

**Highly commended:** Michelle Worvell, *Insurance Age*

### Regional

**Winner:** Conal Gregory, *Yorkshire Post*

**Highly Commended:** Lindsey Rogerson, *Scotland on Sunday*

### Gary Hyndman Most

#### Promising Newcomer Award:

**Winner:** Huma Qureshi, *The Observer*

**Highly Commended:** Sarah Hills, *Insurance Age*

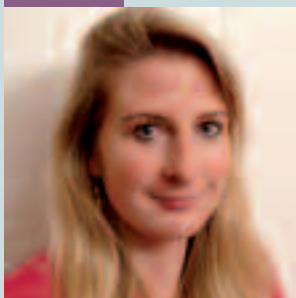
## Judges

**John Greenway MP,**  
Chair of the Select  
Committee for the Treasury  
**David Slade,**  
Perkins Slade Limited  
**Kevin Sinclair, AA**  
**Lord Hunt, Beachcroft**  
**Guy Munnoch, Zurich**  
Commercial & Municipal  
**Toby Foster, Marsh Limited**  
**Jerry Wilson, Goss & Co**  
**Grant Ellis, Broker Network**

## PRESS BRIEFING

**Living in a lighthouse or residing on a river may have its attractions, but finding insurance involves a bit of homework, as I discovered recently when writing an article on this subject for *The Times*.**

As insuring unusual properties is a ‘niche’ area, I turned to several specialist brokers for assistance with the piece. Most of these I found through searching the internet and BIBA's online database. Having never previously spoken to any of the brokers I contacted for this story, I was pleasantly surprised by the response I got. Not only were all the people I contacted able to come up with sample quotes for insuring quirky homes quickly, but they were also able to provide useful anecdotes about some of the properties they had found cover for previously.



Melanie Wright

One of the brokers I talked to, for example, told me that the most difficult home he had ever had to insure was a brick-built cottage built on a floating pontoon, which added colour to the story. However, having spent 10 years in personal finance journalism for the national press, writing this piece did make me wonder why I still have relatively few broker contacts.

It may be not only because of the proliferation of direct insurers who are only too keen to appear in the press, but also because the broker industry has a strong central ‘voice’ in the form of BIBA, which many journalists turn to.

But brokers individually have such a wealth of fascinating case studies and tales to tell that it seems a shame that some aren't more proactive in contacting the press, especially given the large reader response to insurance stories.

I am well aware journalists are generally viewed with suspicion, but, contrary to popular belief, we don't always seek to paint a negative picture of everything, and, if there is an interesting angle, we want to know about it.

Yes, direct insurers may dominate the personal finance pages, but I for one would like to hear the broker voice more regularly.

**Melanie Wright is a freelance journalist**

Broker ASSESS has merged with AXA Campus to create a market-leading e-learning and development facility. **Kirsty Gordon** explains

**Training is now a far bigger issue for most brokers than it was in the past – the competitive market, the need to retain quality staff and regulatory pressures are among the reasons for this. But many companies say they are busier than ever and so are looking for straightforward and comprehensive solutions.**

Step forward broker ASSESS. Many intermediaries will be familiar with the system but could still view it as an assessment tool. However, the reality now is very different. Broker ASSESS goes far beyond this and is now a complete online learning and development system – it's also the market leader and continuing to grow.

Earlier this year, broker ASSESS merged with another training system, Campus – both of these have won awards in their own right. AXA Campus had some 8,000 users, while broker ASSESS had around 13,000.

Meanwhile, content is now being provided by the Chartered Insurance Institute and broker ASSESS is the CII's endorsed online system for the CII's Broker Academy, which was launched in February 2007. The academy also offers brokers other training options, including face to face if required, but broker ASSESS is likely to provide one of the easiest ways to supply consistent and auditable training to as many of their employees as they wish – it also means employees can be trained in the workplace.

One key improvement is that the content has now been vastly expanded with more than 200 new learning modules being recently added. There is also a new 'My Planner' facility which enables the creation of personalised learning plans. This offers the ability to self-manage the pace of learning by users through email

reminders and e-links in the planner.

Broker ASSESS also has a link to the CII's online CPD system, providing users with a single CPD record which can be submitted electronically.

Although it has many thousands of users, BIBA ensures that broker ASSESS retains the personal touch – whether brokers have a technical query or want to recommend new content, queries are dealt with promptly.

And, in particular, the user group plays a vital role in taking on board feedback and implementing changes. For example, one broker recently suggested that questions on taxis and motorcycles would be useful for his employees and these have now been incorporated into the question bank.

The user group is chaired by Mel Lyell, compliance manager with Poole-based broker E Coleman. He comments: "Broker ASSESS is good – and since the merger has become even better – content has grown massively and I feel we can meet the needs of almost all brokers. What is more, the costs are reasonable. Prices vary according to the size of the firm. Both BIBA and the CII are non-profit organisations and so the revenue earned goes back into development and



**Managers have the information on each employee's training at their fingertips**

making the changes users want."

The user group meets around every two months and Mel adds: "We welcome broker users getting involved and we've invited former AXA Campus members to join us so that we all work together. Brokers want to offer their people a variety of development options, but this system provides them with a consistent and affordable way to give everyone structured and relevant training. It also means managers have the information on each employee's training at their fingertips – this means they can conduct a skills gap analysis and identify the most appropriate training. And, one major advantage is that it provides electronic verification that training has been carried out, which is ideal in the regulated market."

**Kirsty Gordon is BIBA's membership and broker ASSESS co-ordinator**

**All aboard  
the one-stop  
training solution**





**Some saw excessively large exposure.  
We saw opportunity.**

.....

New businesses can find it difficult and costly to obtain insurance cover, especially if they operate in unusual or high-tech areas. Our Techsure<sup>®</sup> underwriters specialise in the technology sector and were pleased to provide PI cover for a giant screen television consultancy right from start-up. Our view is that new technologies and new businesses present new opportunities and not necessarily unacceptable risks.

At St. Paul Travelers we always try to see the bigger picture.



Intermediaries across the world have their interests represented by BIPAR and the WFII. Director **Nic De Maesschalck** spoke to Rachel Gordon about the issues on the agenda

**When it comes to being heard in Europe and indeed globally, brokers have a champion based in the heart of Brussels.**

BIPAR – the European Federation of Insurance Intermediaries – is responsible for representing the interests of both insurance agents and brokers. It works closely with its sister organisation, the WFII – the World Federation of Insurance Intermediaries.

The number of brokers represented is impressive. BIPAR covers in excess of 80,000 members, with around 250,000 employees and links with 47 national associations in 30 countries. Meanwhile, the WFII works with more than 100 national associations (in more than 80 countries) across the world. It was launched in 1999 in Washington DC and represents more than 400,000 intermediaries.

BIPAR was established in Paris in 1937 and in 1989 relocated to Brussels. It has a team of six – three lawyers, two administrators and director Nic De Maesschalck, who has worked for the organisation for 15 years. Nic is also a director of WFII, of which BIPAR was a founding member.

Nic is an economist by training but his family run a brokerage in Belgium, where he gained useful work experience – including training in the London market.

And while it is a small team, he points out that numbers are boosted considerably by volunteers – it operates a number of committees and has two main meetings a year where a cross-section of brokers visit BIPAR's offices. Most recently, former BIBA chairman Max Taylor also acted as BIPAR chairman. Today, BIPAR's chairman is Manuel Vila, a representative of the Spanish consejo. Beyond this, there are regular teleconferencing meetings.

**Intervention**

BIPAR aims to intervene early to ensure maximum impact and constantly keeps in contact with other associations which also have influence with the EU. For example, these would include CEIOPS, the Committee of European Insurance and Occupational Pensions Supervisors, and the IAIS, the International

**BIPAR and the WFII – being heard globally**

- **Reaches across five continents – North and Latin America, Asia, Africa and Europe**
- **Liaises with EU Commission and International Association of Insurance Supervisors**
- **Promotes profession with international bodies such as the United Nations, World Bank, International Monetary Fund, the Organisation for Economic Cooperation and Development (OECD) and the World Trade Organisation**
- **Deals with a range of stakeholders including politicians, the media, trade unions and other trade associations.**

Association of Insurance Supervisors.

In 2002, BIPAR also set up the POI, Partners of Intermediaries, to explain the realities of the single market between members and national associations.

In terms of EU issues, Nic explains that currently BIPAR is focused on three core topics – the implementation of the Insurance Mediation Directive (IMD),

the EU's review of VAT on financial services and the European Commission's inquiry into business insurance.

It is anticipated that next year the EU will evaluate the IMD and bring in any necessary revisions. It was because of this law that regulation was imposed on brokers working with the EU – and the directive has not been without controversy. Not least BIBA has spoken out in the UK on the fact that many other EU countries have made little effort to implement the IMD on time and carried on doing business regardless.

Nic comments: "From where I sit, I can see that those states which were not doing enough are catching up – the gap is closing."

He emphasises: "I think the IMD is a very good piece of legislation, it provides a minimum level of consumer protection and allows intermediaries to undertake business across borders. I can understand those who say the UK may have gone overboard in its implementation. However, the principles are meant to create a level playing field."

**Gold-plating**

Nic argues that UK brokers may feel disgruntled because of gold-plating but points out that is being addressed. "The FSA is looking at introducing a relaxation of rules where appropriate. It will act if it is felt that over-regulation is stifling the market. It is also clear that the FSA is highly respected globally and from the meetings I have had with its people, can confirm they are among the most experienced and sophisticated in their knowledge."

Meanwhile, the EU's review of



**From where I sit, I can see that those states which were not doing enough are catching up – the gap is closing**

# Brokers sans fron





## Hot topics on the agenda

- IMD implementation
- EU Competition Enquiry
- VAT
- Disclosure
- EU Green Paper on Retail Financial Services
- Contract certainty
- Impact of the Solvency II Directive
- Insurance education of the public
- Anti-fraud/anti-money laundering.

VAT has been dragging on for some time – it is expected to be completed around 2008.

Nic says BIPAR supports the view that reform is needed, since it impacts on those who trade across EU brokers – namely in hidden VAT charges from suppliers of insurance services to other businesses and on those which outsource. BIPAR wants intermediaries to be exempt with improved guidance made available, since costs are being passed onto policyholders under the current regime. This also puts EU-based insurers at a competitive disadvantage compared to those which are non EU.

Certainly in the UK it has been argued that the EU did not need to conduct a review into the competitiveness of business insurance, but Nic is philosophical on this.

“The EU sees its role to gather pictures of the

main business sectors, whether they are banking or insurance. This review is not necessarily to say the current market has problems, but whether any changes are needed. There is no point us being overly critical of the review taking place. We have to live with it, but are lobbying to show the market is competitive and in particular that the role of the intermediary in maintaining this is understood.”

Some UK brokers may raise eyebrows when they realise BIPAR also represents insurance agents. But, Nic comments: “Agents are very much accepted in a number of European countries and they do not mean customers are getting a bad deal – it is just a different way of doing business and customers can still benefit from good service. Many agents are offering this and are running their own business – they are entrepreneurs as brokers are. Of course, issues

such as disclosure are important, but it is not for us to say being a tied agent is a bad deal. In any case, I think many brokers would find they have much in common with agents.”

### Liberalisation

Indeed, although it is focused on and indeed supports sound regulation, Nic says the need for liberalisation is a driving principle running throughout BIPAR and the WFIL. “We don’t want to see too many excessive rules imposed. And, outside of the EU, the WFIL wants to see brokers able to trade freely in as many countries as possible. One major example of this is China, where we have been lobbying and where considerable progress has been made. We are about explaining the benefits of using an intermediary and the know-how they bring and the advantages for customers, wherever they are.”

# tières



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# A golden opportunity

As the UK ages, so the insurance industry needs to adapt. **Jane Bernstein** finds there are opportunities for those willing to seize them

The UK's population is living longer and recent studies have indicated that by 2025 nearly a third of the population will be aged over 55. So it is vital insurers and brokers grow with their customers and ensure products and services accommodate this changing demographic.

But has the insurance industry been as quick to respond to the changing nature of the population as other business sectors?

Bob Gratton, executive manager with broker Bollington, explains: "Other sectors such as garden centres, restaurants, DIY chains and savings companies recognise the financial clout this growing sector has by offering better deals. Insurers still tend to take the opposite view. Travel and private medical insurers, in

particular, penalise this group rather than help them.”

Travel insurers especially have been criticised for hiking premiums for older customers. Sam Heath, a spokesperson for Age Concern England, asserts: "The area about which I hear most complaints is holiday insurance." Mr Heath concedes that there is a greater risk in some cases: "It is not unreasonable when looking at the figures to suggest that someone in their 80s is more likely to fall over and that when they do, they are more likely to hurt themselves." It is, however, widely agreed that the problem lies in viewing 'old people' as a homogenous group.

“What insurers tend to do is take a cut off point of 65 or 75 years old and at that point,

premiums either go through the roof or they stop insuring altogether," comments Mr Heatli. Age Concern is calling for these issues to be recognised under the forthcoming Single Equalities Act. He explains insurers should still consider age as a risk but also take other factors into consideration.

For many, a key issue is that the insurance industry needs to adapt its view on what constitutes old age. As Mr Gratton summarises: “Someone who is 55 or more now is not necessarily the same, health or outlook wise as someone who was that age 20 years ago. They don’t see themselves as ‘old’ but often have the spending power and health to enjoy life for many years to come.”

Certainly as more people of retirement age



choose to travel, insurers who refuse to cover them are missing out on a growing market. Peter Staddon, BIBA's head of technical services, adds: "It must also be understood the emergence of low-cost airlines has made an enormous difference to this. Therefore we need to cater for this in the products we offer."

## Targeted ratings

Mr Staddon points out: "There are a number of insurance considerations. What about the hiring of a mobile home to visit the cultural centres of Europe for three or four months at a time? We have to address the fact the main home could be left empty and medical cover could be required either under travel insurance, the use of the EHIC (European Health Insurance Card) or via private medical insurance purchased by the traveller."

The good news is many brokers report some insurers are taking a more flexible view and that products are beginning to accommodate the older customers.

Ian Brown, group technical director for Protectagroup, observes, for example, that there is an increasing trend towards targeted rating.

And Shelley Wright, customer proposition manager at Groupama, emphasises: "It is unwise to generalise about the needs and aspirations of this sector." Ms Wright takes the example of household insurance, observing: "Older people



The sector also responds better to personal contact and demonstrates far greater loyalty towards their suppliers



## Older employees – are brokers doing their bit?

Apart from more older consumers, the workforce is also ageing. But are brokers aware of age issues within their own organisations?

Cressida Courtney, manager, broking for Joslin Rowe Recruitment Consultants, says brokers should adapt their job descriptions when looking for candidates in order to comply with the Age Discrimination Act.

She points out that some job descriptions will need to be amended to take these issues into consideration and titles changed – for example in the case of the role "junior" technician.

Companies will also need to be wary of describing their organisation as "young and

dynamic", for example. She says brokers should be able to receive guidance from their recruitment consultants on how to comply with the act.

So, does she feel brokers are willing to take on older employees – and do they understand the possible additional cost implications in terms of pensions and health cover? Ms Courtney comments: "Yes, brokers have been to some extent willing to take on older employees, although I still feel it will take a while for mindsets to change in certain organisations/divisions and those with HR expertise are generally aware of the cost implications involved."

were historically viewed as a lower risk; a significant factor being the assumption that their homes would have shorter periods of being unoccupied. However, if they go abroad for longer periods during the winter months when they retire this can actually increase the risk of losses through theft, malicious damage or water damage."

For those insurers and brokers looking to differentiate themselves on factors other than

price and to attract loyalty through good service, this can be a good target market.

## Personal service

Ms Wright explains: "Research shows that the more mature sectors of society tend not to be as price sensitive as others and purchase more on the basis of brand and reputation of the company they are dealing with and the quality of cover and the advice that they are offered. The sector also responds better to personal contact and demonstrates far greater loyalty towards their suppliers."

As far as marketing to this segment is concerned, Mr Brown says in his experience, personal service remains a high priority. "We have quite a large high street presence and people will walk in. I still think they do want face-to-face contact and the more they can pop in and talk to someone, the happier they feel."

That is not to say that the over 55s will never go online. Paul Green, head of communications for Saga, points to a mix of human contact and internet use in buying habits. He explains: "It is very important with this age group to ensure that you serve people in the way that best suits them – that means personal service with no automated call answering. But, we have also seen a significant growth in people buying online."

However, online sales are unlikely to dominate in all areas. Mr Staddon says: "Purchases of uncomplicated products like groceries or low cost airline flights constitute one size fits all. But in relation to the insurance product where 'advice' is an integral part of the product, then speaking to a person has its advantages."



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# Fighting your corner

BIBA is involved in many activities which impact on all aspects of a broker's business.

**Andrew Tjaardstra** provides a flavour of its work

**BIBA people are involved in a huge range of activities, from helping to shape Government policy and regulation, to helping out brokers in dispute with insurers and finding ways to give members access to niche products.**

One notable result of BIBA's efforts has been the Government's decision to handover the regulation of insurance sold by travel agents to the FSA. Subject to further consultation, the regulation will begin in January 2009.

Graeme Trudgill, manager, technical services at BIBA, says the trade association has been publicly saying for two years that travel agents were on an "unlevel playing field". What is more, consumers were not receiving proper advice for cover such as medical expenses and hazardous sports from travel retailers.

This concerted campaign led to high-profile television appearances for Graeme on BBC's *Real Story* and *Watchdog*. He was joined on *Watchdog* by Ed Balls, the former economic secretary to the Treasury, who is now secretary of state for the Department for Children, Schools and Families.

## **Uninsured drivers**

The appearance of Mr Balls was no coincidence as BIBA had already met with him earlier to explain why it felt regulation was so important. And BIBA had also stated its case in formal discussions with the FSA and the ABI.

Having achieved a "level playing field" for travel insurance, the BIBA team has also made significant progress in the drive to penalise uninsured drivers to create a safer and fairer environment for the vast majority of policyholders.

The Department for Transport regularly checks in with BIBA as a sounding board, and BIBA participated in an inquiry into uninsured driving undertaken by Professor David Greenaway in December 2003. Many of Professor Greenaway's recommendations have





IMAGE: NEIL WEBB



now been implemented into law.

But BIBA feels the laws have yet to go far enough. Graeme describes as “derisory” the £100 fine for uninsured driving and the potential 90-day period before it is issued.

This is especially as each uninsured vehicle costs the average consumer an extra £30 in the pocket and is 10 times more likely to have an accident. BIBA welcomes the introduction (probably next year) of emailed motor certificates, of which 30 million are produced every year, to the Motor Insurance Database. This will save time, paper and money, especially as it notes that “some insurers are failing miserably at submitting information to the Motor Insurance Bureau on time”.

### **Ambitions**

However, BIBA wanted the Government to go further, so that all parties including the police and DVLA have access to this database, including Statutory Off-Road Notifications, so they can concentrate on chasing those vehicles which are not insured. The Government subsequently implemented BIBA's recommended changes.

There are wider ambitions for the trade association, such as a reduction in insurance premium tax for travel insurance. Peter Staddon, head of technical services at BIBA, comments: “There is no sustainable reason for having insurance premium tax at 17.5 per cent



**The BIBA team has also made significant progress in the drive to penalise uninsured drivers**

for personal travel insurance, when for business travel or motor it is five per cent. We don't expect to win this battle, but we need to be fighting and the Treasury has to review this.”

BIBA has also been heavily involved in trying to achieve the best deal for brokers in new arrangements for the Financial Services Compensation Scheme (FSCS).

When the FSA proposed a solitary “pot” for insurance when considering a restructure of the FSCS, BIBA commissioned a report by London-based consultancy European Economics which was presented to the FSA.

As a result, the independent body changed its plans by including sub-limits for both insurers and brokers. Steve White, head of regulation and compliance, and a member of BIBA's executive team, says the lobbying has “produced a likely result better than expected” for brokers. The relationship between BIBA and the FSCS should further improve when former BIBA chairman Max Taylor takes up a new role this year as non-

executive director of the FSCS on 1 September.

Further regulatory initiatives include the BIBA-led drive to remind customers that they can request details of their broker's remuneration. This proactive approach has given the FSA evidence of a “market-led” solution, similar to the work on contract certainty, which led to the regulator backing away.

In addition, BIBA is watching the proposed reforms on its Insurance Conduct of Business Rules closely and has made its views heard over the payment protection insurance investigation, especially the importance of Treating Customers Fairly, in this area. There is a barrage of crucial regulatory issues which need a coherent, unified industry response.

This year, BIBA launched a professional indemnity (PI) initiative in order to issue guidance over policy wordings. Graeme says: “Often the customer is not getting the bang for their buck and we want to help members understand the demands and needs for PI.”

BIBA's proactive approach was evidenced after a broker had a dispute with an insurer over a burnt down warehouse. Peter says: “Where we feel the broker has a case we can beat a path to the door of the underwriter and bring in the experts. We have a pool of contacts including chief executives at insurers.”

BIBA is often called upon for its knowledge and expertise and it has already been contacted by the Ministry of Justice over advice on work it was doing on the legal expenses insurance market.

In order to keep on top of industry issues, there are four technical committees at BIBA for motor, property, liability and regulation at which BIBA formulates strategy and investigates latest market trends.

### **Medical insurance**

On 8 August the new private medical insurance working group met. In addition, there are 13 regional committees.

In addition to lobbying and providing advice, BIBA has assembled 30 schemes of standard and non-standard insurance cover for its members.

For example, Davis Underwriting provides a haulage and LGV scheme and CFC Underwriting provides cyber-liability.

The BIBALet scheme run by Lumley Letsure is worth £5 million of gross written premium and is subscribed to by 300 brokers.

BIBA receives around 20 offers a month for additional schemes but it is selective and only looks for cover which adds something extra to the broking community.

As each scheme comes up for renewal, BIBA takes a small percentage in the transaction which goes towards keeping membership fees low.



# Passport cont

Intermediaries must check that any insurer they use has the necessary credentials from the FSA – and BIBA can provide plenty of guidance, as **Vannessa Young** reports

**Language, distance, time differences and culture can all contribute to making dealing with an overseas insurer riskier than normal for an intermediary.**

However, failing to check that an overseas insurer has the necessary FSA permission to be conducting regulated activity in the UK could seriously impact on a broker's reputation and its relationship with clients.

The FSA's recent decision to ban David William King for managing two offshore insurers unauthorised to carry out business in the UK serves as a stark warning to those who operate illegally that the regulator will not hesitate to take action when consumers are at risk.

In this particular case, King was responsible for managing CIC Costa Rica and CIC Greece, two companies which regulatory investigations found were not approved in the UK, Greece or Costa Rica to carry out insurance business as it was claimed.

Despite this, they issued more than 1,800 insurance policies to UK businesses through their underwriting agents. This meant that these policies were invalid and unenforceable.

**Confidence**

The FSA argued that the case significantly undermined consumers' confidence in the insurance sector. CIC policyholders were left without proper insurance and risked substantial loss and even prosecution as some of the contracts involved related to employers' liability cover which is compulsory in the UK. It also meant that they had to spend additional time and money to obtain alternative cover when the FSA finally put a halt to CIC's activities in the UK.

Intermediaries should take heed of this enforcement action too. Under section 19 of the Financial Services and Markets Act 2000 (FSMA),

no firm may carry on a regulated activity in the UK, or claim to do so, unless the firm is authorised by the FSA or is an exempt person. A breach of section 19 may be a criminal offence and punishable on indictment by a maximum term of two years imprisonment and/or a fine.

**Permissions**

The FSA, when authorising a firm, generally gives the firm a part IV permission, which lists all the regulated activities that the firm is allowed to offer. For insurers this permission must include the ability to 'effect and carry out contracts of insurance'.

BIBA members should always check the FSA Register to determine whether the insurer that they want to do business with has the necessary permissions to do so. If the insurer is not authorised to conduct business in the UK, then it would be illegal for an intermediary to carry out any of the following activities on their behalf, which are:

- operating a binder or delegated authority
- putting a customer on cover without a case-by-case decision from the insurer
- handling or settling claims on the insurer's behalf.

Overseas insurers located within the European Economic Area\* are able to apply to their home state regulator for a passport, allowing them to undertake regulated activities in the UK. Overseas insurers located outside the EEA and wishing to undertake regulated activities in the UK will need full FSA authorisation to do so. In both cases, the name of the overseas insurer will appear on the FSA Register at <http://www.fsa.gov.uk/register>.

The restriction does not prevent an intermediary from arranging cover with an unauthorised overseas insurer, providing that each individual risk is accepted individually by





# rol for brokers



the insurer and not incepted by the intermediary in accordance with a pre-existing arrangement between the insurer or the intermediary. If the insurer is located outside the UK, it is also vital for the intermediary to establish whether the contract will be subject to UK law. If the contract is not subject to UK law, then the customer will need to be informed that should they need to seek legal action against the insurer, then recourse would have to be through the courts in the insurer's home country.

The UK financial services market is often targeted by unscrupulous firms keen to part consumers from their hard-earned cash. The FSA has drawn up a list of unauthorised overseas firms that they know to be conducting regulated activity in the UK. Members can find this list on the FSA's website at:

- [www.fsa.gov.uk/pages/Doing/regulated/Law/Alerts/overseas.shtml](http://www.fsa.gov.uk/pages/Doing/regulated/Law/Alerts/overseas.shtml)

BIBA often receives queries from members regarding insurers operating in the UK under a passport from elsewhere in the EEA. These queries tend to be around jurisdiction, customer compensation issues in the event of an insurer becoming insolvent or what happens if a



The passporting system is nothing new but as more countries have joined the EU, it is expected to grow and indeed is a vital component for the concept of a single market

complaint arises about a product or firm.

The Financial Services Compensation Scheme (FSCS) acts as the UK's statutory fund of last resort for customers and can pay compensation if a firm is unable, or likely to be unable, to pay claims against it. The FSCS provides an important safety net for consumers, but members should bear in mind that it applies only in respect of all 'protected contracts of insurance' such as general insurance and pure protection contracts only. This protection does not extend to reinsurance contracts or large risks, a definition of which can be found in the FSA Glossary.

Unfortunately, most EEA states do not have equivalent schemes to provide consumer

protection in the event of an insurer's failure. This is why the FSA requires all inward passporting insurers to participate in the FSCS. Thanks to the FSCS, claims arising under the insurance policies of passporting insurers are covered if the risk (for general insurance business) or the policyholder (for life insurance) is in the UK. If, however, a passporting insurer's home state has an equivalent compensation scheme then it is likely to be triggered in the event of that firm's failure and would handle claims arising from its collapse. The FSCS would also be triggered by such an event and both schemes would liaise to ensure that between them, UK policyholders are protected to the same degree as if the insurer had been based in the UK.

## Dispute resolution

The customers of insurers located outside the EEA will not have access to the FSCS. In such cases, the intermediary needs to establish, by asking the insurer whether they participate in a compensation scheme in their home state, and, if so, obtain the full details of the facility.

Another frequent query from BIBA members relates to dispute resolution. UK customers are able to call on the Financial Ombudsman Service to help settle individual disputes between them and the businesses that provide financial services. Overseas insurers based in the EEA elect to join the voluntary jurisdiction of the FOS. Members need to establish whether the insurer that they are dealing with has decided to join the ombudsman's voluntary jurisdiction and agreed to be bound by its requirements. If they have not, then members must establish whether the overseas insurer participates in a dispute resolution scheme in their home state and, if so, obtain the full details of that. Intermediaries may check with the FOS to ascertain whether the overseas insurer that they are doing business with has signed up to its voluntary jurisdiction.

FSA spokesman Robin Gordon-Walker comments: "The passporting system is nothing new but as more countries have joined the EU, it is expected to grow and indeed is a vital component for the concept of a single market."

He adds: "I would agree with BIBA that brokers should inform clients about compensation arrangements. Some countries offer these, while others don't and, in any case, they will vary from the UK's. Beyond this, brokers must ensure their client knows all the relevant details under our disclosure rules."

He points out that while it might make sense from a competition point of view to have more overseas insurers operating in the UK, in reality, the vast majority of consumers are not interested. "There has been more success in the investment areas, but as for insurance and mortgages, demand is overwhelmingly for UK-based providers. I would think almost all homeowners or small business owners, for example, would



There may be risks where an overseas insurer may be appropriate, but what matters is the client is aware of this

prefer to know they are dealing with a company based here and where there will not be potential language problems."

## Passported insurers

Mr Gordon-Walker states that at least for retail business, he does not see insurers, even with passports, making much of an inroad. Nonetheless, he says the fact that an insurer is based overseas does not necessarily mean they should be shunned by brokers. "There may be risks where an overseas insurer may be appropriate, but what matters is the client is aware of this and we would recommend that brokers familiarise themselves with how passporting works."

Indeed, Lyndon Neale, director of policy and competence at Aon, says there can be benefits: "Working with passported insurers enables us to offer further choice to our clients. They have not posed any particular issues for us. All of the insurers we work with, either UK or overseas-

based, go under the same scrutiny when they are considered for entry on our list of approved insurers. The fact that passported companies which operate in the UK know that generally they must meet the same requirements at the point of sale as UK insurers under FSA's rules can provide further confidence for our clients."

Steve White, BIBA's head of compliance and training, concludes: "There is nothing to stop a broker arranging business with any insurer – including outside the EU. But, we want to make sure they understand all the issues surrounding what can be a complex area. I would urge any member who is concerned, or who wants to know more, to check out the BIBA website and to speak to us if they need further clarification."

\* Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, The Netherlands, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom.



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## Watch out for Bluetooth fraud

**Brokers who have provided their employees with mobile communications devices, such as Blackberries or PDAs, should provide guidance on protecting against fraud.**

Business adviser Grant Thornton says possible crimes include:

- Bluetooth pairing attacks, whereby an attacker gains access to the memory content of a phone/laptop/PDA at the point of first communication, gaining the PIN code

- BlueSnarfing attacks, where the hacker gains access to phonebook and calendar information and can divert calls to their own phone
- BlueBug attacks, where the hacker has full access to the device and can initiate calls, text messages, etc, from the victim's phone.

John Dunne, IT security manager with Grant Thornton, says: "There are a number of very simple precautions that can be undertaken to ensure that the likelihood of an attack is

minimised, such as disabling the Bluetooth signal on your device when it's not in use."

His tips to prevent fraud are:

- disable the Bluetooth signal on a device once it has synchronised with the parent
- limit the sensitive data stored
- consider anonymising data and ensure you have the device protected with additional encryption
- if you believe the device has been intercepted, inform managers and the police if necessary.



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## It's a sellers' marketplace

**Brokers planning to sell their businesses should not take the first offer – there are now a number of avenues they can explore.**

Certainly larger brokers will find they have a number of suitors, with AXA and Groupama having recently made high profile acquisitions.

Meanwhile, established consolidators, such as Towergate and the Broker Network, are continuing to buy up businesses.

Towergate also has set up an acquisition vehicle to buy up smaller brokers, Cullum Commercial Ventures (CCV), which is headed by Tim Johnson.

It is notable that since brokers are in short supply, those doing the purchasing are now willing to be far more flexible. CCV says it can buy a partial stake and sort out a deal where the remainder is bought at a later stage – say in several

years when the principal is ready to retire.

Meanwhile, a new business, C-Scape, was set up to provide a match-making service for brokers looking to sell.

"Price is important, but often the broker will want to make sure that their clients go to a good home," comments director Pete Loughborough.

He says brokers also use C-Scape because it is a personal service. "We don't just pass on details of potential buyers, although we have many of these. It is more about making sure the selling broker is comfortable with the deal and we are there as the business transfers."

Mr Loughborough formerly worked for Norwich Union and was involved as the insurer made numerous broker acquisitions. "What I'm doing now is different, but very rewarding. We also work with brokers pre-sale, making recommendations that can help secure a better price."





**Consolidation, increased regulation, soft market conditions – the dynamic nature of the broking market is well documented. The challenge is deciding the best strategy to pursue in order to secure a certain future.**

Some brokers will decide to sell to another party. To maximise the price, these brokers must ensure that their financial structure, regulatory controls, key personnel, marketing discipline and client base are all geared to make the business as attractive as possible to potential buyers.

But an external sale should not be seen as a fait accompli.

Growing your firm and putting in place a sensible succession plan is a viable alternative, particularly for brokers wishing to retain some control over the future of their business, clients and staff.

Senior partners need to think about how they will exit the firm. If the plan involves selling down to existing management, you need to evaluate how the buy-out will be funded. To reduce financial strain on the other partners, look for a financier who understands the

industry and can lend against the value of the business and its cash flows rather than relying on the individual's assets.

Another approach is supporting 'star' performers who could lead the business in the future. Often, such employees do not have the immediate resources to buy into the business. They are also prone to being poached by competitor firms. Providing them with a mechanism to take equity in the business can lock in



**Aden Nguyen**

quality staff and ensure business continuity.

In the current soft market, growing your business and market position matters.

It may also involve pursuing your own acquisitions or mergers. Not only can this expand your areas of specialisation, but it combines the skills of senior business owners to build greater value and provides another possible exit opportunity.

Every broker will have a unique set of circumstances and objectives. The key is having clear goals and a well formed strategy with the finance to make it happen. The right financier who specialises in the industry and takes time to understand your business will help you explore options, develop a suitable plan and provide the financial power to pursue your goals.

**Aden Nguyen is an associate director with Macquarie Bank with responsibility for Macquarie's specialist lending services for UK insurance brokers**

## The benefits of flex

**With many brokers saying they are struggling to attract and retain quality staff, now is the time to look at improving benefit packages.**

In recent years, new technology has been developed which brings flexible benefits within reach of smaller firms. A flex plan enables employees to choose what benefits they take beyond the specified core. This includes exchanging holidays for cash, share schemes, gym memberships, retail vouchers and financial products.

There are varying degrees of flexibility, for example the largest firms with big HR teams can provide the greatest choice, because they have the systems in place to run the administration. But a growing number of IFAs are also offering smaller firms basic flex packages.

Stuart Grey, managing director of Portus Consulting, comments: "Brokers should no longer just be thinking about pensions. Although advice may be needed here, a consultant should also be able to use their buying power to recommend a range of either paid for or voluntary benefits such as cash plans or other perks such as discounted holidays."

Voluntary benefits involve the employee contributing towards the cost themselves, but they receive a

better deal than they would buying as an individual.

Broker Oval Group also operates an employee benefits division, which includes an administrative centre to service clients with flex schemes. Reward director Debby Hannaford says flex is now becoming more commonplace with smaller firms, although they typically have over 50 employees.

She adds: "We recently conducted research among our clients which showed 76 per cent of them wanted to introduce some form of flex. The demand is there."

She says communication is vital and brokers setting up flex plans must make sure employees are aware of them. "There is no point just having a website with information if people don't know about it and paper is still read more. You also need to recommend benefits that fit the age of employees and try and include a mix of those which are useful with those to get them interested in the benefits programme – reduced price theatre tickets, for example."

Oval uses the Staffcare IT solution and its chief executive officer, Phil Hollingdale, says flex is feasible for SMEs. "Software such as ours allows a more commoditised approach – and also creates an opportunity for IFAs who want to move into employee benefits."





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# Out of the ordinary

BIBA's schemes and facilities are all about standing out from the crowd. Our latest launches include an insurer ratings service, an enhancement to our loss recovery insurance and a new valuation survey facility, as **Graeme Trudgill** reports

**BIBA's schemes and facilities continue to expand. Each has been rigorously assessed to ensure it is of high quality and fulfils a market need. It will also respond to members' requests wherever possible to provide products which give an edge.**

## Well worth it

Cunningham Lindsey is providing members with a valuation service, focused on commercial and domestic building reinstatement valuations for insurance purposes.

The service is supported by a number of major insurers, including AXA, Allianz Insurance, Norwich Union and NFU Mutual. They provide average waiver guarantees for a period of up to three years to their customers following a Cunningham Lindsey/BIBA valuation.

Cunningham Lindsey has over 15 formal national and regional schemes in place with a range of insurers, brokers, associations

and property management companies.

It is particularly important for brokers to be aware of the problem of under-insurance and from a sample of 1,500 properties valued in 2006, Cunningham Lindsey has identified a total level of under-insurance of approximately £2 billion. Sean Durden, Cunningham Lindsey's valuation services manager, says more than 90 per cent of properties valued were identified as being under-insured.

The level of under-insurance established per customer ranged from £50,000 to £25 million – the higher figure relates to a client's property portfolio.

According to Mr Durden, under-insurance in excess of £5 million for a single property has been identified on a number of occasions and he states that, had a valuation not been undertaken, it is unlikely that these businesses would have recovered in the event of a significant loss.

Meanwhile, over-insurance has also been identified, totalling some £103 million in the last three years. Cunningham Lindsey says this

accounts for approximately five per cent of properties valued, resulting in premium savings for brokers' clients.

Cunningham Lindsey has recently valued a couple of properties that have been approximately 40 per cent over-insured, in one case by as much as £2.5 million and it has also valued a property owners' portfolio with over-insurance of £7 million.

Quite often the market value of a property has been used as the basis for setting the sum insured. However, market values typically bear no relation to the cost of reinstating a building, with reinstatement costs generally being much higher, explains Mr Durden.

UK coverage is provided by Cunningham Lindsey's valuation surveyors, a team of chartered surveyors/loss adjusters who draw on their extensive knowledge of costs associated with reinstating properties following an insurable loss.

The service provides a number of benefits to the key stakeholders which include:



More than 90 per cent of properties valued were identified as being under-insured



- brokers – assists in meeting obligations under the FSA and provides them with a value-added service to promote to new and existing customers. It can also help to maintain client relationships in the event of a loss
- policyholders – receive peace of mind that they will not be penalised in the event of a loss against the effects of under-insurance and will have sufficient funds available to either rebuild their homes or enable their businesses to continue trading. Identification of over-insurance avoids payment of unnecessary premiums
- insurers – an innovative product offering for insurers to add to their range of risk management services, which assists the claims management process and enables them to calculate premiums based on the true values at risk.

 For more information, contact  
Cunningham Lindsey/BIBA  
helpline on 0116 281 4658 or email  
BIBAvaluationservices@cl-uk.com

## We rate it

Standard & Poor's has introduced a new web-based insurance product, RatingsView, exclusively designed for BIBA members. It will help them tell, in real time, what rating the insurance companies they are using have achieved.

Insurance RatingsView will help to ensure they are fully compliant with FSA requirements for due diligence in this important area. The service is very user friendly and straightforward. Following a simple login, users will have access to UK property-casualty insurer ratings and reports as well as the Lloyd's Syndicate Assessments (LSAs).

The Insurance RatingsView product will enable brokers to keep up to date with the financial strength rating of over 100 UK and Irish insurers. Each rating is only issued

## BIBA's schemes: the full range

- 1 Business Travel
- 2 Caravan – Touring and Static
- 3 Commercial Combined
- 4 Crisis Control
- 5 Cyber-Liability
- 6 Directors and Officers
- 7 Electronic Marine Cargo
- 8 Excess Liability
- 9 Haulage and LGV Insurance
- 10 High Net Worth
- 11 Holiday Travel
- 12 Home Insurance
- 13 Late Night Entertainment (Club PM)
- 14 Let Property (BIBALet)
- 15 Loss Recovery Insurance
- 16 Marine Cargo
- 17 Motor
- 18 Non Standard Property
- 19 Personal Accident
- 20 Unoccupied Properties

## BIBA facilities

- 21 Conflict Management Service
- 22 FSA Financial Compliance
- 23 Insurance RatingsView
- 24 Legal Services
- 25 Personal Lines Administration
- 26 Premium Finance
- 27 Telecoms
- 28 Valuation Services
- 29 Members' Own PI Insurance

following the analysis of nine criteria which take financial, industry and business factors into account. It therefore provides a comprehensive view of the company's financial strength, which could prove invaluable.


The service also provides key financials, so brokers can quickly view how a particular insurer has performed over the last few years.

There are optional email alerts, which will inform subscribers directly of any rating changes. BIBA members are therefore guaranteed access to the very latest information, whenever they need it.

The benefits of the service include:

- Insurance RatingsView is a real-time web source for objective ratings and analysis
- Standard & Poor's provides an independent view of the credit worthiness of these insurers
- instant access to the latest ratings and research from Standard & Poor's analysts
- both interactive and public information ratings
- optional email alerts that will inform you of any rating changes.

And this is all available for £325 + VAT.

 For more information, contact  
Christina La Rocca, Standard & Poors, on 020 7176 7022 or email  
christina\_la\_rocca@standardandpoors.com

## Turning a loss into a win


Loss recovery insurance provides access to a proven network of qualified and independent chartered loss adjusters and is a true product differentiator. It enhances renewal retention and offers additional revenue from cross-selling.

Provider Lorega has improved BIBA members' loss recovery scheme which covers loss adjusters' fees by introducing an easy to use, banded-rating system and reduced the standard market rates. The scheme, which is exclusive to members, allows brokers to submit individual risks to Lorega without the need to commit to either an "opt out" or "whole account" cover and there is no minimum monthly requirement.

Benefits include:

- personalised claim consultancy service
- reduces the amount of time staff need to spend on clients' claims
- gives the opportunity to offer an extensive claims service to compete in a highly competitive marketplace.

Lorega's loss recovery insurance is now held on lineslip basis by RJ Kiln and Heritage Syndicates, allowing members to offer clients a Lloyd's policy which is A plus-rated. The scheme now includes a panel of more than 67 claims handlers, all of whom are chartered loss adjusters (members of CILA) and are all individually regulated by the FSA.

 For more information, contact  
Chrissy Quinn on 020 7469 5555 or  
email: cquinn@lorgea.com

Graeme Trudgill is BIBA's technical services manager

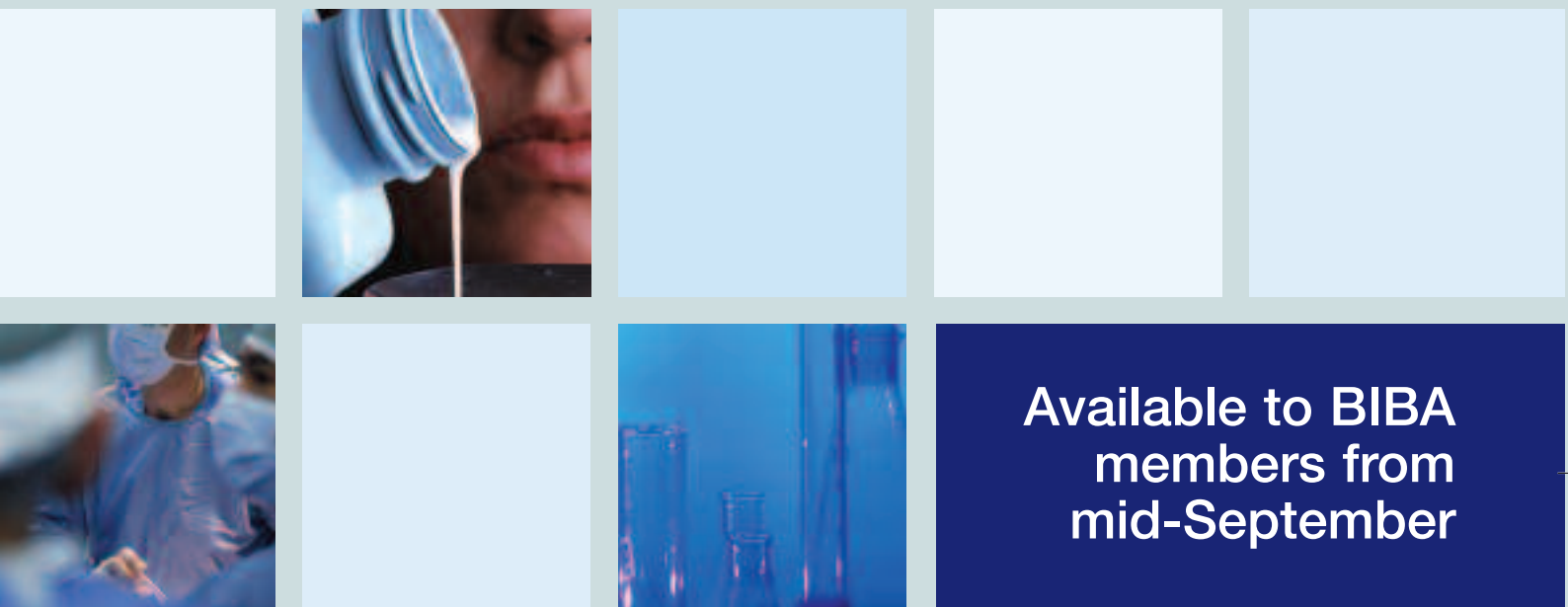




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## BIBA PARTNERS





BIBA recently contacted members to gain their views on what they want from PI cover and how we can serve them better. **Roger Flaxman** provides a round-up of the results

## And our survey says...

**The launch of part two of the BIBA Professional Indemnity Initiative – a comprehensive guide to professional indemnity (PI) policy wordings for brokers – was accompanied by our first questionnaire seeking feedback about PI from members.**

The results told us that members' overall top priority, at 78 per cent, is getting help and advice with regard to risk management and claims. Security of the insurer is a top priority for 77 per cent, while having the best policy wording is important to 64 per cent and, unsurprisingly, 61 per cent were most concerned about getting the lowest cost.

### Managing risk and the FSA

In answer to the question: "What would be your priorities for phase three of our *PI Initiative*?" Some 78 per cent responded to the proposal "Support on how to risk manage our exposure to the principle-based aspects of FSA regulation such as

Treating Customers Fairly and Demands and Needs of Clients."

This was the subject of the professional indemnity workshop at the BIBA conference when James Dingeman QC both entertained and alarmed the delegates with a dramatic exposé of how easily the modern broker can fall foul of such a broadly-based regulatory principle.

He explained that "demands and needs" is only another way of saying "duty of care", which of course is not new to insurance brokers but, he said, is not appreciated by the great number of us.

"We are delighted that so many members have taken the trouble to air their views," says Graeme Trudgill, BIBA's technical services manager. "Consequently, the 2007/8 *PI Initiative* will concentrate on management of risk and offering practical advice in knowing how to recognise demands and needs and meet the standards required so that members are protected."

The limit of indemnity is a key factor. When selecting a limit of insurance, 52 per cent of

respondents say that they select the lowest amount of cover required by the FSA. BIBA finds this somewhat alarming. It is likely that these are the firms that have not experienced a claim.

### Mediation matters

The next most popular proposal from the survey is a BIBA-dedicated mediation service for insurance-related disputes. We found 77 per cent saying it would be a high priority for them.

Mediation, being one form of alternative dispute resolution, has gained significant ground in popularity in recent years as a result of the introduction in 1999 of the Civil Procedure Rules – known as the Woolf Reforms or the CPR.

They were introduced with the aim of speeding up pre-trial procedure and reducing the cost of litigation. The CPR rules are a procedural code with the overriding objective of enabling the court to deal with cases justly. This includes:

- ensuring that the parties are on an equal footing
- saving expense
- dealing with a case in ways which are proportionate to the amount of money involved



We are delighted that so many members have taken the trouble to air their views





- the importance of the case
- the complexity of the issues
- the financial position of each party
- ensuring that it is dealt with expeditiously and fairly.

Claims against insurance intermediaries are particularly complicated because of the peculiar relationship between the insurer and the broker on the one hand and the broker and the insured on the other.

It is rare that a claim against a broker does not involve in some way a dispute or potential dispute with the insurer and so mediation has quite rightly been selected as a high priority. BIBA will accordingly look into this as a priority.

## Managing claims

The third most popular proposal is “a claims reporting and management advisory support service”; 64 per cent seeing this as a high priority. BIBA has already set up this service via Flaxman Partners, independent specialist PI consultants, and Hugh James solicitors.

Any member experiencing difficulties or concerns with a problem that might turn to a claim or a claim that is perhaps being mishandled or threatening to turn worse, can have a free preliminary consultation. And to organise this, they should contact Graeme Trudgill at BIBA who will activate the access to Flaxman’s and Hugh James. This service has already proved very beneficial to some BIBA members.

## Lobbying success

BIBA has become recognised as an effective lobbyist on behalf of members. Respondents were asked “what are the priorities for lobbying to FSA in regard to PI matters” and here is a selection of the answers:

- “Overcoming spurious/opportunistic

- claims to the Ombudsman.”
- “Demanding consistency and accountability from insurers.”
- “Reducing indemnity levels.”
- “Acceptance of one established policy wording.”

And, you also told us...

The questionnaire gave an opportunity for respondents to give their own observations. Here is a selection in answer to the question: “What are your grievances, if any, in connection with your expectation of PI insurance?”

- “Lack of guidance up front on reducing our exposure to claims.”
- “Cost.”
- “Not all insurers act honourably and professionally.”
- “It seems PI insurers want our premium but they want to evade a potential claim – it becomes a scene from *LA Law*.”
- “The vagaries of costs and the limited number of providers leading to poor competition.”
- “Claims handling – rarely feel the insurer is acting in policyholder’s interest.”

BIBA is taking these, and other comments, into serious consideration. Finally, we asked if



**BIBA is taking these,  
and other comments,  
into serious  
consideration**

BIBA could help to overcome any other difficulties and the responses included:

- “Improve brokers’ service standards.”
- “Improve our choices of cover and insurer.”
- “To continue working with the FSA and insurers to provide standard wording and cover for the protection of all members.”
- “Promoting BIBA as a badge of competence and strength (for the benefit of our clients).”

As Richard Bowdidge, a partner with broker First City, comments: “As the survey shows, the needs of BIBA members vary significantly.

Therefore the use of an accredited broker will allow members to benefit from their expertise and experience, in conjunction with Flaxman Partners, which supports members by offering expert risk and claims management services.”

Meanwhile, Richard Gledhill, account manager with Towergate Group says: “We would, however, issue a warning that the often extremely low prices currently seen could be reflective of a policy wording lacking in key areas and which itself possibly leads to some of the gripes brought into the open by the survey. Intermediaries would thus be strongly recommended when undertaking their renewal exercise, to refer to the BIBA PI policy wording guide as a starting point and discuss their requirements with their BIBA accredited broker. It should be possible to have a suitable wording at competitive rates.”

We thank members for responding to the questionnaire and continue to invite suggestions for improvement or alerting us to matters in which BIBA could make a difference.

**Roger Flaxman is BIBA’s professional indemnity consultant and managing director of Flaxman Partners, the independent professional liability risk consultants**





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# Inside the black

Telematics technology has the potential to revolutionise the motor insurance market, but how does it work and will it impact on brokers? **Graeme Trudgill** reports

**The face of motor insurance and its distribution is changing. We've seen EDI, direct writers, aggregators and retailers – and now come the mysterious black box and pay-drive insurance.**

A major claim for telematics-based insurance is that it promotes the principle of fairer pricing. But it has yet to really take off in the UK and around the world.

Telematics involves a small electronic box that is fitted to the vehicle. The box records pre-determined data every time the vehicle is used. Depending on the particular system, this data can include date and time, journey time, average speed, maximum speed, route, acceleration, deceleration and braking.

This data is then downloaded to the insurer, often by GPS, which will use it to calculate the premium. This is based on the vehicle use, the type of roads the vehicle has been used on, the times and day of the week the vehicle has been driven and the age of the driver.

Studies show there are more serious accidents late at night, particularly involving young drivers and therefore the insurance rate

per mile will be higher to reflect these risks.

Currently only two UK insurers offer telematics-based private car insurance, both direct writers. Current sales represent less than one per cent of the UK private car market although the schemes are still in their infancy.

With such low volumes and targeted advertising campaigns it is difficult to establish what the general consumer reaction is.

## **Monitoring**

Considerable concern has been expressed recently over the extent to which the UK population is being monitored, such as by CCTV cameras. It has been said the UK is the most spied-on nation in the world and telematics can only serve to heighten this concern.

The barriers to pay-drive are numerous and include:

- cost to purchase the telematics device (currently subsidised by insurers but consumers still pay around £50)
- cost to fit the device (currently absorbed by the insurer – but where is this funded from?)





# box

- cost to transmit and administer the device data
- cost of sending a monthly itemised bill
- cost for fitting another device if the client changes vehicles (around £95)
- reduced premium income for a given risk
- the driving of other cars extension is not a viable option
- older vehicles (over 15 years old) may not be suitable for a telematics box
- consumer concerns over "Big Brother" monitoring
- data protection issues.

These issues explain why the concept has been slow to take off.

However, as with satellite navigation, cost barriers can reduce quickly – prices have come down from £1,000 to £100 with the result that more than four million 'sat nav' systems are now in use in the UK.

## Proliferation

Pay-drive appears to present a threat to the broker market and BIBA takes this seriously.

BIBA has set up a telematics sub-committee

which has already met with a number of telematics companies and interested insurers – the variety in platforms, business models and cost is astonishing.

The variety of platforms is a double-edged sword as the proliferation of systems with an absence of standardisation is holding back potential players from committing.

There is certainly an atmosphere of wait and see with certain insurers – nobody wants to invest in the Betamax version!

But, in the US, Claire Wilkinson, vice president of global issues at the Insurance Information Institute, says: "Technologies such as GPS systems are playing a growing role in the auto underwriting process. To date a few US insurers, including Progressive and Safeco, have tested several programmes using GPS technology. Most recently, insurers have been doing their part to reduce the number of accidents involving teenaged drivers by subsidising the cost of electronic devices that parents can install on cars to monitor the way teenagers drive – or by offering discounts to policyholders with teens who use these devices."

## Privacy

She adds GPS technology has also had a beneficial impact on reducing losses in motor theft. "However, formal approval of such schemes is subject to state-by-state regulation in the US and there has been some reluctance to give the go-ahead to such schemes, amid concerns over privacy."

John Radford, managing director of One Call Insurance Brokers, leads BIBA's sub-committee



**Technologies such as GPS systems are playing a growing role in the auto underwriting process**

and is ensuring we protect members' interests.

He says: "We want to ensure brokers are represented to insurers, Government and telematics companies at all times in this area. One area of particular interest is the 'universal' black box that would enable brokers and insurers to switch around policies without incurring additional costs of buying and fitting a different insurer system each time."

The good news is that there is already a

precedent in the fleet market with many commercial vehicles already benefiting from similar black boxes and – on larger vehicles – tachographs.

It is a widely held view that tachographs have improved safety on the road, which benefits fleet operators, insurers and the wider community. In the right circumstances, telematics on private cars can play a similar role.

So if brokers can make a success of this in the fleet market can we do the same in private cars?

Question marks remain over the likely customer base – the current focus is on lower mileage users and young drivers.

One of the key debates surrounds who owns and has access to the data – the client, the telematics provider, the insurer, or the broker?

What are the implications if the data shows at the time of an accident the driver was speeding – will this affect how an insurer deals with the own damage and third party claims? If there is a serious accident, will the police or accident investigators have access to the data and, if so, what are the implications for the driver? Can the data be used for other purposes, for example, marketing, and does existing legislation provide the appropriate level of public protection? BIBA's legal team is investigating these areas.

The ABI does not believe telematics will achieve universal coverage. This is, perhaps, a good thing as currently most telematics systems around the world do not involve brokers.

## Innovative

Even so, telematics may offer benefits in other areas. Being able to establish what the driver and vehicle were doing immediately pre-accident will help to reduce the potential for fraud.

Telematics also has a part to play in the debate surrounding road pricing and congestion charging although the insurance industry will not want to take on the role of tax collectors.

Jack Brownhill, director of World Motor Insurance Consultancy, comments: "Pay-drive insurance is here to stay and is a clear challenge for brokers. There has never been a more important time for broker-orientated insurers to work in close harmony with their broker partners. There is also no reason to believe that traditionally priced insurance products will disappear – they will just have to become more innovative."

**Graeme Trudgill is BIBA's technical services manager**



If you would like to discuss this subject with any of the BIBA Motor Panel please contact Graeme Trudgill at [trudgillg@biba.org.uk](mailto:trudgillg@biba.org.uk) or on 0207 397 0218.



# Making good progress

Members can play an important role as the industry strives to achieve contract certainty. **Peter Staddon** explains why and provides an update on this key topic

**It is close to 10 months since the FSA decided that the insurance industry had made sufficient progress with a market-led solution for contract certainty to ease back on its threat of regulatory intervention.**

The FSA's deadline for contract certainty may have come and gone, but that by no way means that it should become a lesser priority for intermediaries and insurers alike.

The FSA effectively supported what BIBA had achieved on contract certainty in December 2006, but it wanted to ensure that the industry did not walk away from the issue.

Contract certainty has therefore continued to be a regulatory priority for the FSA during 2007 and the regulator wants to ensure that the market-led solution is a success both now and in the future.

This determination can be seen in the FSA's supervisory work. The FSA has been keen to determine that contract certainty is right up there on the board's agenda at a firm.

They have wanted to see that senior management is fully engaged with contract certainty and is giving due consideration to what it means for their businesses and whether they have robust systems and controls to support it.

In June, the Contract Certainty Steering Committee published a revised code of good practice, which consolidated 11 previous working documents. This committee, of which

BIBA is a member, is the cross-market group of chief executive officers which provides the FSA with the interface to the whole UK insurance industry – insurers, brokers and customers.

The new code modified the definition of contract certainty, by removing the inconsistency and confusion arising from the use of inception date as part of the old definition. The code has also hopefully been “future-proofed” because it has been built around principles which are as far as possible timeless. Members can download a full copy of the code of practice from BIBA's website. There is also a handy, pocket-sized guide available on the site which summarises the main points of contract certainty.

Our team at BIBA has the unenviable task of collating the market's contract certainty figures for commercial business centrally. The data sought aims to capture the number of policies a firm has; the number of policies that

have achieved contract certainty at inception; and the number of policies issued within the designated 30 day timeframe. But our enthusiasm is unwavering and we urge members to keep on submitting their figures to us on a monthly basis.

We are still looking for brokers and intermediaries to send us their contract certainty figures throughout 2007. It is important to keep the momentum going with this initiative and these figures provide evidence that the market is on top of the problem and that we continue to improve on our contract certainty strike rate, which currently stands at 94 per cent of policies.

The figures will also help us demonstrate that the code has become embedded in the market and has become something that firms do as a matter of course because it makes good sense for both their businesses and their customers, and not because they feel compelled to do so by the FSA.

Members may submit their contract certainty data on a simple form which can be found on BIBA's website at: [www.biba.org.uk/contractcertainty](http://www.biba.org.uk/contractcertainty)

Real progress has been made in contract certainty and in January of this year, the committee stated this was “fundamental, demonstrable and enduring”.

We must now all make sure this is sustained. **Peter Staddon is BIBA's head of technical services**



The code has become embedded in the market



# Look no further

If you have an insurance-related question, whether on technical or compliance matters, then BIBA's in-house team is ready and waiting to provide answers

## Constructing a liability solution

**Q: Construction industry sub-contractors must now be verified as being independent bodies with their own public liability insurance, or they must be paid via PAYE. So, can we stop advising our contractor clients to include labour-only sub-contractors in their employers' liability figures, but include all sub-contractors in their public liability figures?**

A: It is ultimately for the courts to decide whether or not these persons are employees within the meaning of the employers' liability legislation. However, if they must carry their own public liability insurance, this presumably means that they will be personally responsible for any injury or damage that they cause, and must, as such, indemnify their employer as the principal to the contract. In these circumstances we do not believe that they would be viewed as being an employee

within the meaning of the Employers' Liability Act.

## A matter of principal...

**Q: I'm having problems understanding the 'Indemnity to Principal' clause on a public liability policy. Can you help?**

A: The 'Indemnity to Principal' clause is frequently found under the public liability sections of contractors' policies. It allows for an indemnity to be provided to any principal, following an agreement entered into between the policyholder and principal, and where the policyholder is legally liable and not solely due to acts of the principal. This is at the specific request of the insured.

There are other provisos, such as where more than one party requires indemnity, then the total shall not exceed the overall limit of indemnity under the policy.

The policyholder's insurers also have sole control of the claim. In practice, this is most likely to be relevant where a contractual agreement exists between the policyholder and the main contractor (the principal) which may say something like "the contractor will keep the principal indemnified" following incidents giving rise to a claim and for which the principal themselves are not responsible.

## Know your SCPOs...

**Q: I have heard of an ASBO, but what is an SCPO? I heard it being talked about and wondered if it will have any implications for insurers?**

A: An SCPO is a serious crime prevention order and these have been dubbed 'super-ASBOs' by the media. They are a new type

of civil order designed to make life more difficult for organised crime.

The order, imposed by the High Court, can be imposed on individuals and organisations believed to be involved in drug and people trafficking, money laundering and other forms of organised crime. The SCPO is being ushered in under the Serious Crime Bill which is currently working its way through the parliamentary process. It can impose a broad range of prohibitions, restrictions or requirements on an individual or business.

The Bill introduces three new offences designed to outlaw encouraging or assisting someone to commit an offence; these will have implications for firms who may be caught up, even inadvertently, in criminal behaviour. Breach of the order is a criminal offence and carries a sentence of up to five years' imprisonment.

It also has provisions aimed at improving data-sharing both within the public sector and between the private and public sector. The latter will be particularly helpful in the fight against fraud as it will allow public authorities to disclose information to specified anti-fraud organisations, such as CIFAS.

**Do you have a question?**  
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