Autumn 2008 Issue 34 the magazine of the British Insurance Brokers' Association

the broker

BIBA

Making friends in high places

How our lobbying pays off for members

Seeing the bigger picture...
Law commissioner David Hertzell on the overhaul to insurance contract law

Tackling UK uninsured driving
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The rise of the MGA
Should brokers be virtual insurers?

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WELCOME

Work is already well under way for next year's BIBA Conference – Delivering Value.

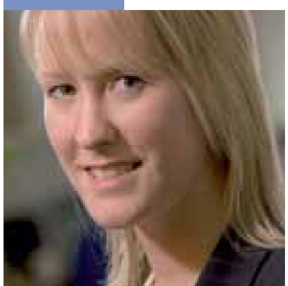
Many members have said they are looking forward to visiting Manchester. We held our 2005 conference there and the feedback was excellent. The venue is modern and all on one level with an unrivalled feeling of space. We have just secured around 1,000 hotel rooms, all within minutes of the conference venue, Manchester Central.

We'll keep you updated on the speakers and seminar programme as this is put into place over the coming months, so keep an eye on our website.

Meanwhile, they say every cloud – and the credit crunch is certainly a big enough one – has a silver lining. In this issue, Jon Guy looks at the rise of the managing general agency in the UK and the fact that in a number of cases, there are more opportunities for brokers to take on responsibility. Even if they are unable to go as far as setting up as an MGA, delegated authority again provides real scope for schemes specialists.

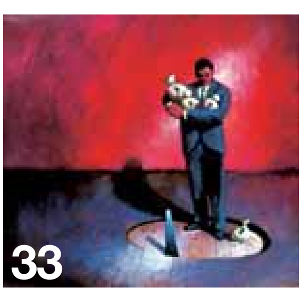
But, as Mark Roddis, one of our approved professional indemnity experts believes, any broker taking on more work must review their PI cover at the same time. It must respond to the increased risks and so, if this is an issue for you, please consider reviewing your cover. And check out our new risk management guide which is on the BIBA website.

Finally, as Premium Credit – our premium finance scheme provider – says in an article, more people are looking to spread costs right now, which could provide brokers with increased income. It's often said brokers are a resilient lot – and as other sectors struggle, it is heartening to see so many of our members thriving right now.



Leighann Burtrand
Editor of *the broker*

INSIDE AUTUMN 2008



BIBA's chief executive **Eric Galbraith** updates members on the issues which matter to him

Teamwork pays off

I was absolutely delighted when BIBA won the Sector Representation Award at the Trade Association Forum Best Practice Awards.

My overwhelming feeling was one of pride for the work the BIBA team has put in during the past few years. As members will know, we are a lean organisation and were up against some serious opposition, including many larger trade associations.

This was a prestigious event – the Trade Association Forum, which was set up in 1997, is there to develop best practice sharing among trade bodies and to promote their role to the Government, industry and wider public. It is supported by the Confederation of British Industry and the Department for Business, Enterprise and Industry.

We were shortlisted for a number of categories – including best magazine – but the one category we really wanted to win was sector representation.

Since I joined BIBA, I have pushed to give us a bigger voice and, in particular, to increase our lobbying work both in the UK and in Europe.

It is only by getting our messages across to the real decision-makers that we will see action and ensure that brokers are properly recognised for the contribution they make and that consumers benefit from their expertise.

Our entry was in part based on our campaign to ensure travel insurance was regulated – it was a long slog at times, particularly as ABTA, the travel industry trade body, put up formidable opposition and provided a cogent argument for self-regulation, including promising higher standards.

But we were able to convince the regulator that regulating the travel sector was essential – there is too much at stake if someone is mis-sold cover. As a result of this, many travel agents and tour operators will have taken a long and hard look at whether they want to stay in this market. It is no longer an easy way to boost profits without taking the trouble to properly understand how this potentially complex product works – and to sell it appropriately. For those who wish to continue selling it, the FSA announced in July that it had opened the application process for those wishing to become directly authorised – regulation starts on 1 January 2009.

BIBA is going greener

It is said that the ongoing concerns surrounding the credit crunch have taken the emphasis off environmental issues.

However, I feel it is important for all businesses to do what they can to cut back on their energy use and reduce waste. A number of insurers – and brokers – are looking to provide innovative products and guidance. But it is also disappointing that the insurance industry as a whole wastes so much paper – we can all do more to recycle.

Although we are in the early stages, BIBA is reviewing the possibility of working with a carbon reduction specialist to review and reduce its carbon footprint. Once this is achieved, we will look to offer guidance to members on how to do this too.

This is part of the Climate Wise charter which BIBA is a signatory of and we are looking at ways of broadening access to this. We will keep you posted.

Promoting commercial brokers

There are some 4.7 million small and medium-sized enterprises (SMEs) in the UK – and there is plenty of support available for those thinking of setting up their own firms from organisations such as Business Link and Chambers of Commerce.

We now have direct insurers openly advertising SME cover, but as brokers know even the smallest enterprise faces a raft of risks and there is no substitute for advice.

While the media has City and corporate news on its financial pages, at the opposite end of the scale there is unrelenting emphasis on motor and household cover on its personal finance pages.

At BIBA, we want to do more to raise understanding of the need for, and the value of, advice in commercial and business insurance issues. One of the main problems is that the media almost always wants to use case studies – and as we know, many business clients are reluctant to appear in the media discussing any claim they may have had.

Meanwhile, brokers are apprehensive about mentioning particular clients because they are concerned others will start prospecting.

So, it is not easy. But we will be looking to encourage journalists to focus on this area – and if members have topics and examples that they think should reach a wider audience then let us know.

Email Eric Galbraith at galbraithe@biba.org.uk

In my opinion…

Two experts ponder whether claims should be outsourced

Simon Gifford, claims director, Towergate

I speak to brokers regularly to find out what they think about Towergate Underwriting's claims service and obtain feedback on the service they receive from other insurers.

We can never be complacent, but at Towergate, our focus is brokers – we upset them at our peril. My understanding, however, is that a number of other insurers are looking to cut back on their claims expenses – which may mean more outsourcing.

I am not totally opposed to outsourcing. It may suit particular business models, such as MGAs.

As for brokers looking to provide their own in-house claims operations, this can be difficult in terms of feasibility and the cost of employing good people. Yet if they can get it right, potentially this can boost retention.

Every claim is different and shunting claims outside can mean brokers lose control and customer goodwill.

No matter what anyone says, the main reason to outsource is cost-cutting, with service coming a poor second – so no wonder brokers are frustrated.

I am concerned that insurers are making more claims technicians redundant and that overall there are less competent people working directly for insurers. Beyond that, local claims centres have been closed in favour of large centralised operations.

An outwardly straightforward claim may be handled by say five different companies, from adjusters to repairers, as part of an increasingly complex supply chain. It is about capturing data, using approved high volume suppliers and less technically adept claims staff.

Brokers' reputations are on the line if they fail to assist their clients with claims – but it is incredibly difficult dealing with so many parties – and a lack of personal attention.

In recent years, we have been working with Lorega, which provides loss recovery insurance – in other words, a dedicated loss adjuster who works for the client.

When a claim has occurred with this in place, brokers report the feedback from clients has been excellent. It is a simple concept, an experienced adjuster providing a high level of personal service and ensuring the broker is kept in the loop. But we can all learn from it.

I think there is growing awareness that direct business is often not as profitable for insurers as that coming from the broker channel.

So, I think brokers' clients deserve better service. To me, that means an in-house team backed by first-rate technology. Can outsource claims providers cope themselves with high volumes of business? Do they have sufficiently good technology? I think some may need to substantially increase their investment.

Claims service matters – so let's see insurers start providing it.

Richard Holland, managing director, Capita Insurance Services

As pressures to cut costs and boost customer service intensify, insurers and brokers are increasingly turning to outsourcing.

It presents a logical alternative to performing certain services, such as claims in-house, because it can cut expenses, free up resources and allows the broker to concentrate on more profitable core competencies.

At Capita, we manage a range of claims from complex commercial to high volume personal lines. Our clients include Marsh and insurers including Norwich Union and AXA, as well as London Market companies.

We manage claims in motor, household, liability, contract works, fidelity guarantee, construction and engineering, major loss, subsidence, property, high net worth and industrial disease.

Particularly for a small or medium-sized broker, to replicate the amount of specialist expertise Capita has in-house is likely to be a prohibitively expensive exercise.

But outsourcing is not just about cutting costs – delivering high quality customer service is crucial.

For example, we handle the processing and premium collection for Hiscox's high net worth customers. Here, the combination of a new credit control function introduced by Capita Insurance Services, and Hiscox's bespoke IT platform, both raised service levels and improved business performance.

The strategic use of technology can allow a company to offer better customer service with fewer people.

But technology is expensive, and the cost of keeping ahead of the technology curve remains daunting to many.

Because we work for so many insurers and brokers and because, as a group, we also have substantial in-house IT expertise, we can ensure that we keep ahead of the game and defray costs across a number of businesses.

We are seeing the convergence of two major business issues that stem from powerful economic and competitive forces.

One is the need to provide the highest levels of customer support to gain and, then retain, customers. The other is the need to increase efficiency and control costs by maximizing resources, reducing overheads where possible and slowing or reducing staff costs.

So we've seen not just an uplift in the number of companies looking for outsourced support but a greater range of business models.

It is increasingly about a partnership approach, it could be with brokers seeking to become more of a 'virtual insurer' model or indeed, those looking to break into the UK market for the first time.

BIBA wins major accolade

BIBA team members at the TAF Best Practice Awards

The British Insurance Brokers' Association has won the Sector Representation Award at the prestigious Trade Association Forum Best Practice Awards.

The award recognised the success of BIBA's lobbying and, in particular, the campaign which overturned the exemption of travel agents from regulation. This created a level playing field for BIBA members and reduced consumer detriment.

BIBA received the award, beating four other trade associations shortlisted for the category. The judges were specifically impressed by the co-ordinated management of the campaign, fitting the action into a Parliamentary timetable and use of deft public relations to win consumer interest.

Chief executive Eric Galbraith said: "This is an excellent example of how BIBA is achieving success on behalf of its members. This award is a testament to the hard work of the BIBA team and we are delighted to receive recognition from our trade association peers."

The awards, hosted by the Trade Association Forum, received 170 entries and 39 finalist trade associations and were held at London's Intercontinental Hotel on 29 July.

BIBA was also a finalist in the Conference Award, Exhibition Award, Magazine of the Year Award and Electronic Communication Award categories.

Out of Africa – brokers back The Prince's Trust

Scenic route: (from left to right) Andrew Everall, Steve Walker, Chris Swain and Neale Ingram in Namibia

A team of four from BIBA members Ingram Hawkins and Nock from Stourbridge, West Midlands recently took part in The Prince's Trust Leadership Group's Namibia Challenge.

Neale Ingram, Chris Swain, Steve Walker and Andrew Everall undertook rigorous training in the freezing British winter last winter to participate in the challenge, which involved cycling and trekking in the burning heat of the Namib desert.

Senior account executive Chris Swain explains the team began the task on the Namibian coast on the Skeleton Coast of Africa. "We camped in the middle of nowhere for five consecutive nights and were awoken around 6am by bongo drums, with each day heralding a fresh challenge."

This involved scaling some of the largest sand dunes in the world, abseiling and a half marathon. "The scenery, exhaustion and exhilaration will be remembered by all members of the nine teams who participated," he says.

The team was supported by clients, family, friends and colleagues in the insurance sector and Chris singles out Norwich Union for a generous contribution – its sponsorship raised over £15,000.

The event in total raised more than £100,000 for the charity which gives practical and financial support, developing key workplace skills such as confidence and motivation. It works with 14- to 30-year-olds who have struggled at school, have been in care, are long-term unemployed or have been in trouble with the law.

The charity has helped more than 575,000 young people since 1976 and supports 100 more each working day. More than three in four young people The Prince's Trust helped last year moved into work, education or training.

Get involved with the Insurance Leadership Group

The Prince's Trust Insurance Leadership Group (ILG) is a fundraising and networking forum for leaders of insurance companies, brokers and underwriters in the UK.

ILG members have pledged £3.6 million to help The Prince's Trust deliver programmes that help disadvantaged young people to gain skills and get into work.

In addition, membership of the ILG provides business benefit through a network of influential business leaders and enhanced reputation through association with The Prince's Trust.

The ILG also helps young people increase their understanding of insurance products, removing barriers and improving access to insurance.

Following the success of last year's sell-out Insurance Cup which raised £30,000 for disadvantaged young people, The Prince's Trust held a bigger football tournament on 18 September in London's Regent's Park – 48 teams from the insurance and broking community battled it out.

The ILG's annual Gala Dinner will be held on 1 October with a Laurent Perrier champagne reception followed by a sumptuous three-course dinner in the Old Library at Guildhall, London. Last year's event raised £50,000 for The Prince's Trust.

For more information, please contact Annabel Kirk at The Prince's Trust on 020 7543 1318 or email: annabel.kirk@princes-trust.org.uk and see the website at www.princes-trust.org.uk

Announcing the 2009 BIBA Conference

The theme of next year's BIBA Conference is Delivering Value and the event will take place on 13 to 15 May at the Manchester Central Convention Complex.

Organiser Lindsay Campbell says: "The theme is about the difference a broker makes. There are many ways in which insurance can be purchased and we have seen the arrival of more online options and aggregator websites. But we are convinced brokers offer the best route – in terms of their commitment to providing best advice, their expertise across the market and invaluable support they can offer in the event of a claim."

Although planning is still at an early stage, Lindsay says an exhibition floor plan will be available soon. "We'll shortly be releasing more information on speakers and seminars, so keep checking the BIBA website for more details," she adds.

For more information contact Lindsay on 020 7397 0221 or email: campbelll@biba.org.uk

Yorkshire and Northern promises a dazzling day at Weathering the Storm

BIBA's Yorkshire and Northern Region will hold its second one day regional event on 1 October at Leeds Royal Armouries.

The event will be opened by new regional chairperson Jo Thoy, sales director for the Broker Network. She will be followed by BIBA chairman Derek Thornton and then chief executive Eric Galbraith will present a head office update. Next up will be Paul Hudson, TV weatherman for BBC North who will speak on climate change in the region.

After this, delegates will have a choice of two seminars. Roy Shelvin, flood response director from Cunningham Lindsey, will speak on Yorkshire's flooding experience and business continuity. Alternatively, a presentation on corporate manslaughter will be given by Paul Burnley of solicitors DLA Piper. Following lunch, delegates will again have a choice of speakers. Branko Bjelobaba will talk on current regulatory matters or, Steve Manton, chief executive of M Consulting about online marketing. The final presentation on steering a business through the credit crunch will come from KPMG partner, Simon Walker.

All BIBA members are welcome. The cost is £25 per member and they are particularly encouraged to bring along young members of staff – the cost for each under 25-year-old is £10. Non-members and insurers pay £60 each.

For more information contact regional executive Ian Raper on 01274 209748 or email IanRaper@rapporttechnical.com

Book now for the BIBA Scotland roadshow

Brokers north of the border – and plenty from the south too – will be heading to historic Airth Castle, near Stirling, for this year's fourth BIBA Scotland Regional Roadshow.

Regional executive Clive Hurn has been hard at work putting together a superb programme for the event which takes place on 12 November. Although the business takes part over a day, a number of brokers choose to stay on and enjoy the glorious setting and leisure facilities.

Clive comments: "This event is now in its fourth year and is a fantastic opportunity to bring together our BIBA Scotland broking members as well as welcoming those from further afield."

BIBA's chief executive Eric Galbraith will address the event and brings with him a number of BIBA staff including head of technical services, Peter Staddon; head of compliance and training, Steve White; and technical services manager, Steve Foulsham.

Key speakers include:

- George Berrie, director – Norwich Union
- Mike Lawton, sales and marketing director – RSA
- Andrew Honey, head of small firms' division – FSA
- Derek Plummer, managing director – MMA Insurance
- Eric Galbraith, chief executive – BIBA
- Steve White, head of compliance and training – BIBA
- inspirational speaker Brian Whittle, the 400-metre Olympic Champion.

The master of ceremonies for the day is Bruce Fummey, a stand-up comedian who is also an IFA and qualified teacher in Fife. The conference will also house an exhibition, with 30 insurers and affiliated companies taking stands.

Clive says: "There is increasing emphasis on doing work remotely. But to really get the best out of a business, you need direct face-to-face contact and outside speakers to encourage fresh thinking – it's what makes our industry thrive. This roadshow is a brilliant forum and a great opportunity for networking and meeting friends."

The four leading sponsors for the event are Norwich Union, NIG, AXA and Zurich. Premium Credit is sponsoring the conference buffet lunch. There is also a prize draw with MMA Insurance again sponsoring the £500 holiday voucher and Oak Underwriting sponsoring a £250 Gleneagles voucher. When members register they are also entitled to bring a young member of staff under the age of 25 free.

To make a booking, members should contact Mathew Gilmour of Meeting Makers on 0141 434 1500 or email: mathew@meetingmakers.co.uk

For more information, contact Clive on 07836 609960 or email clivehurn@btinternet.com

Registration can also be made online at the BIBA Scotland regional website.

Airth Castle – an outstanding venue

Airth Castle has been around since the 14th century and is an enchanting place with towers and turrets, but is also a modern and luxurious hotel and conference venue.

It is in a spectacular setting, overlooking the River Forth and the countryside of Forth Valley and Central Scotland.

There is a state-of-the-art fitness centre and pool and partners will enjoy the pampering at the hotel's Cloud Nine spa – where there is also a dedicated programme of men's wellbeing treatments. See **www.airthcastlehotel.com**

PRESS BRIEFING

Paul Robertson
Editor of *Cover*

The FSA is, on occasion, accused of being opaque when, in line with principles-based regulation, it refuses to give firms a clearly-defined set of rules to work to. However, at least those regulated have an input into FSA consultations. The same is not always the case with European Union (EU) directives.

The issue of gender and insurance is about to become a hot potato once more, as the UK seeks to implement an EU directive. Essentially, the story so far is that the EU Council Directive 2004/113/EC came into existence on 21/12/2004 – the Gender Directive. As is usual with Europe, member states had a long lead-in to implement it.

In the UK, we have the Sex Discrimination Act 1975 (SDA) which covers much the same ground. However the plot begins to thicken as, in order to comply with the EU, we alter our law. The Government has amended the SDA by introducing the Sex Discrimination (Amendment of Legislation) Regulations 2008 – SI 2008/963.

The insurance industry has exemptions, of course. The SDA allows: "Differential premiums/policies on the grounds of sex provided that the treatment is reasonable and is supported by reliable, actuarial evidence."

The amended SDA retains this exception, but requires the insurance industry to compile, publish and update the data upon which they base any premiums or benefits which are different. There are also restrictions regarding clarity, use of data and publishing dates. Interestingly, transsexuals must now be assessed on their legal gender, not the one they necessarily held at birth.

The bombshell drops at: "Discrimination on the basis of pregnancy and maternity in calculating premiums and paying benefits (i.e. the requirement that insurers are not to use pregnancy or maternity as a factor in insurance premiums), will be prohibited from 22/12/2008".

Some providers have had pregnancy exclusions that applied to benefits. Does this effectively stop them going forward? Must the industry take a hit on claims related to problems during pregnancy or will we see an increase in premiums across the board? How will the industry react?

The Association of British Insurers sent members a circular in March, so expect insurers' position statements over the following months.

Providing expert advice – to journalists

BIBA has appeared across a spread of quality national newspapers and websites recently, with the emphasis on ensuring consumers understand why brokers are best placed to assist them.

In *The Times*, chief executive Eric Galbraith highlighted the dangers of buying motor cover solely on price. Highlighting the fact that aggregator sites sometimes strip-out benefits to provide lower quotes, he said: "Skinny policies rank highly on comparison websites that focus solely on price, but customers need to make sure that they are buying an adequate level of cover."

The Mail on Sunday ran a case study of a Yorkshire general practitioner who found RSA would no longer provide him with cover because his collection of modern art had become too valuable. As a result, he moved to high net worth insurer Hiscox. Graeme Trudgill commented: "Many mainstream insurers cherry-pick customers. They want ordinary people who do not pose special risks."

Meanwhile Peter Staddon, head of technical services, was quoted on personal finance website Fool.co.uk, reminding homeowners to take extra care if a family wedding is taking place.

He said many people were not aware of the inner limits of contents policies which may need revising when extra valuables – such as gifts – are being stored.

He pointed out: "Some providers offer bedroom-rated policies. They say: 'You live in the south of England, you have a three-bedroom semi-detached home and we know that typically that kind of property will have something like £42,000 worth of items in it.'

"So you have an upper limit of £50,000. They are great because they save a lot of trouble, but you need to look at them carefully because they have inner limits – maximum of jewellery, maximum damage to bathrooms and toilets, audiovisual equipment, etc."

Peter noted that it is also worth checking to see if other people's interests are covered by home insurance policies – especially when large-scale events are being hosted.

Your views are sought

Insurance law is poised to change and as law commissioner David Hertzell told **Jonathan Swift**, brokers should make their voices heard

Having been seconded to oversee the Law Commission's first overhaul of insurance contract law since 1906, David Hertzell believes that brokers could have played a greater role in its consultation which ended in November 2007.

The paper outlined proposals in a number of key areas, such as the law of agency and consumer rights, and David notes: "We had 105 responses and those covered a broad range of interests, although I think brokers as a group may have been weaker than some. The brokers who did respond tended to be the big ones rather than the regional ones, which is a shame, because they would have had some interesting views."

BIBA's head of technical services, Peter Staddon, and its Liability and Accident Committee presented BIBA's response at the Commission's office.

David concludes from the responses that the Law Commission now has "a clear direction with regard to consumers" in that all but two respondents "agreed that consumer law was a bit decrepit and needed to be bought up to speed."

The Law Commission plans to sign off a policy document in the autumn, which will lead to a Parliamentary Bill so that "by this time next year we will have something tangible."

Putting aside the issue about what constitutes "consumer" insurance for now, brokers are likely to have another opportunity to engage with the Law Commission reform process as the commercial insurance sector is proving a tougher nut to crack.

"With business insurance, we have got more issues to think about," explains David.

"What we had sought to do was ensure that our reforms would cover the general commercial market and not the specialty marketplace – marine, international, reinsurance, etc... But I don't think our proposed methodologies for doing that are going to work. So we may need to revisit how we are going to achieve that end."

He explains further: "What we were trying to do was use a scalable concept in that if you used a contract with standard terms you were in the reform process, and if you wrote bespoke contracts you were outside it, on the grounds that specialty risks would use the latter. But in fact a lot of specialty business is written on standard forms, so we were capturing people we did not really want to, such as P and I Clubs."

On the subject of what constitutes consumer and commercial insurance in an age when more small and medium-sized enterprise products are sold online,

> "Our original proposal was that unless a broker was doing a fair market analysis, then they should be the agent of the insurer"

David admits there are grey areas that need looking at. "Our view of consumers is people who buy insurance mainly for private purposes. So, if you were doing some consultancy work for one day a week, but are a private person, then you are a consumer. But that is not what the FSA says, so there is an issue.

"Quite a few insurers we spoke to said that they put micro commercial business through the same online applications that they used for personal lines, so they regard those customers as consumers. So what we may decide to do when we look at the business part again is to hive the micro businesses into the consumer regime, simply because that is how the industry perceives them. There is no point in us trying to draw a distinction."

One of the major sticking points with the original consultation was which party the broker is acting for – the insured or insurer – which raised issues as to whom these parties would seek recompense from in the event of misrepresentation or non-disclosure.

"We got more responses on the intermediary part of our paper than on any other topic. And we went round to see a lot of brokers and insurers and the feedback we got was that this is an area which is undergoing a lot of change at the moment, so it's very difficult to come up with a hard and fast rule," David explains.

"Our original proposal was that unless a broker was doing a fair market analysis, then they should be the agent of the insurer. And that is probably right, but it does not go far enough in terms of what is actually happening in the real world at the moment."

The issue of how many insurers a broker would have to approach to seek a 'fair market' analysis remains undecided at present, and David appears to accept it requires further debate.

"What concerned insurers was the situation where an intermediary has a panel arrangement, or preferred suppliers. Where a fair market analysis may not have been carried out, an insurer may nonetheless end up being responsible in regulatory terms for that intermediary who was entirely independent of them. So there are shades of independence which are causing problems. That was not our intention, but nevertheless it is a legitimate concern."

David concludes it would be impossible for the Law Commission to come up with a clear definition because "it would always be chasing behind commercial developments." Instead, he hopes the Law Commission is able to set out some clear guidance as to when a broker is an agent of an insurer or the insured.

"We are not going be able to cover every eventuality. All we are going to be able to do is give a bit of a steer," he continues.

"I think we may – and this is my personal view and not settled policy – need to do another consultation paper on where we go with business insurance, which we will try and get out before the end of the year. But that will need to be run through the Commission here because it has signed off the original consultation and if we want to do another one, it will need to know why. We'd like to do that by the end of the year. It may not happen, but it is a target at the moment."

What is also needed is more research on the potential costs of any insurance law reform.

"The Association of British Insurers and PricewaterhouseCoopers did a massive research document on this, but they jumped the gun a bit and did it on the discussion rather than what we finally proposed, so you have to take it with a certain amount of interpretation," David responds.

"But their view was that it would reduce the burden in terms of administration and policy costs in consumer insurance, so even if the industry may pay out a few more claims, the overall cost increase would be minimal.

"With regard to business insurance, the picture is more difficult as the Association of British Insurers/ PricewaterhouseCoopers survey was based on proposals which were quite different to the those which we put forward, and again different to the ones that we will end up with. Theirs did indicate an increased cost to insurers, but it was on the basis of proposals which we are not making, and have moved on from."

About David Hertzell

David Hertzell took over as a law commissioner from Professor Hugh Beale on 1 July 2007 for a five-year tenure. He was a solicitor in commercial insurance practice and began his legal career as a trainee solicitor with Davies Arnold Cooper (DAC) in 1981. He was admitted as a solicitor in 1983.

DAC made him a partner in 1989 and he became managing partner in 1992; a post he held until 1996 and again from 1999 to 2006. Apart from his management responsibilities, he specialised in professional indemnity, reinsurance, captive insurance and regulatory issues.

He has represented both domestic and international insurers and reinsurers in a wide range of disputes and has managed a professional indemnity scheme for a major UK insurance company. He is the chair of the Captive and Risk Financing Focus Group of the Association of Insurance and Risk Managers and is a member of the Law Society, The Chartered Insurance Institute and the Managing Partners Forum.

Self insurance works for SMEs

Utilising **rent-a-captives** can deliver considerable savings over conventional insurance programmes as well as having many other benefits for small and medium sized companies.

By Peter Niven, Chief Executive of Guernsey Finance

IMAGINE the happy faces when your clients see their cost savings associated with retaining the unclaimed premium in their insurance programme.

Aside from this key benefit SME clients may utilise a rent-a-captive to:

- Avoid paying large overheads and profit margins
- Insure unusual or catastrophic risks or multiple small risks
- Have direct access to the wholesale reinsurance market
- Benefit from the investment return on retained premiums
- Take advantage of taxation efficiencies – the payment of insurance premium is deductible in arriving at profits and receipt is at the group's offshore captive
- Access lower insurance premiums as these relate to the insured's previous claims record
- Improve their risk management and understanding of the cost of risk

But aren't the start-up and on-going costs prohibitive?

No. In rent-a-captives these costs are shared which makes them economically viable for small to medium sized businesses.

Will sharing a captive insurance company expose clients' assets to the risks of other members?

Again, no. Rent-a-captives can be so effective for SMEs as they utilise cell structures such as the Protected Cell Company (PCC) – a company made up of a core and individual cells, where the legal segregation ensures that no claim against one cell will be covered by the funds furnished by another.

So, rent-a-captives really are viable for SMEs?

Yes, and in addition the use of a third-party cell company rather than a full-blown captive has distinct benefits for SMEs:

- **Lower operating costs** – Savings from reduced reporting requirements and shared costs
- **Less management time** – Reduction in the amount of executive time required by the cell owner, primarily because attendance is not required at quarterly PCC Board meetings
- **Quicker and cheaper to set up and exit** – Setting up and closing down a PCC cell does not require the same legal processes required to incorporate or wind up a company
- **No minimum capital** – There is a need to cover the minimum margin of solvency and the risk gap but this may be less than the £100,000 minimum required for a separate captive
- **Less tax** – Using a PCC can avoid being subject to Controlled Foreign Company legislation

Interested in hearing more?

Please get in touch or contact one of the many service providers on the Island who are leaders in the captive insurance field. They can be viewed through the business directory on our website at www.guernseyfinance.com.

Guernsey is the leading Captive insurance domicile in Europe and is in the top five jurisdictions in the world. The Island introduced PCC legislation to the world in 1997 and has since introduced an alternative in the Incorporated Cell Company. There is no better home for your clients' business.

Peter Niven, Chief Executive Guernsey Finance
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Making friends in high places

BIBA's achievements were recognised recently at a prestigious awards event. Key members of the team tell **Rachel Gordon** about their ongoing lobbying and campaigning work

BIBA has just won the Sector Representation category at the Trade Association Forum Best Practice Awards which were held in London.

This is a tremendous achievement and as chief executive Eric Galbraith comments: "I know the hard work the team puts in day in and day out and felt because of our tenacity we had to be in with a shout. But you never know until the night and when our name was announced, it was fantastic – we're a force to be reckoned with. Looking forward, we will be focusing more on Europe – so much law emanates from there and we'll be working closely with BIPAR to ensure the best outcomes for our members."

One of the main reasons why the judges selected BIBA for this most coveted category was its campaign to ensure travel insurance became subject to FSA regulation. This involved sustained representations to the Treasury and regulator, communicating with consumer groups, and ensuring the topic was covered by the media. BIBA was also up against the powerful travel trade body ABTA, which also mounted a campaign which argued regulation was not necessary.

At times, BIBA was a lone voice keeping this topic high on the agenda – but the Treasury did sit up and take notice of the campaign, even though behind the scenes it is understood to have been reluctant to impose further regulation because of a lack of resources.

Graeme Trudgill, technical and corporate affairs executive, comments: "We kept on pushing – once we believe something is right, that it is going to improve matters for our members and consumers, then we don't give up."

Lobbying

Head of technical services Peter Staddon says increasingly BIBA is taking direct political action. "My day job is focused on helping members – and I get enormous satisfaction from that. But while I may be sorting out a problem with an insurer, I am also doing a lot more lobbying, alongside Graeme and Steve."

One key piece of forthcoming legislation is the Equality Bill, which is currently being drafted – and BIBA's emphasis here is to ensure that older customers in particular are not being excluded from buying affordable insurance. "This has specific relevance in the health and travel insurance markets."

Peter comments: "The MP for West Worcestershire, Michael Spicer, recently told us that one of his constituents, who was over 70 years of age but in good health, had been turned down by a travel insurer. We were able to sort this out immediately by passing on details of a local broker."

Peter and Graeme sit on the Treasury Age Discrimination Working Group, where an insurance industry exemption is being formulated – this will allow pricing differences to remain for different ages where there are proven reasons to quote different rates.

Graeme adds: "I would like to see proper signposting introduced. If someone calls an insurer and they are rejected on the basis of age, it is far more acceptable to pass on the details of a BIBA broker who can help. We want to see this happen as a matter of course – and we have told the Government we are willing to help. The same occurs with young drivers – yes, cover is going to be more expensive, but a broker can again ensure that the best possible deal is found."

> "Representing members also means engaging with them"

Steve White, BIBA's head of compliance and training, comments: "Representing members also means engaging with them. I hope everyone here is seen as very accessible, all of us spend a lot of time talking directly with members and this year in particular I've spoken at many regional meetings throughout the UK. It doesn't matter how good your website or communication materials are, sometimes you need to talk directly. This is the best way too of finding out members' concerns – and once they are briefed, then they can campaign locally if necessary too."

For example, flooding remains a concern and BIBA has advised on this area. We also offer a scheme for affected properties. We will continue to work to raise awareness for as many people as possible to be able to access affordable cover. As Peter says: "There are plenty of opportunities for brokers to be seen as local experts, to speak to journalists and beyond this to ensure their local MPs are fully briefed on the issues. We're here to provide ongoing support and advice – we must all work together."

Communications manager Leighann Burtrand says: "We've never received so much media coverage, but we have to keep providing journalists with hard-hitting and relevant issues to write about. We can't be half-hearted about things. When we campaigned against some aggregator practices, for example, we commissioned research to show there was detriment, we lobbied the FSA for change and got it. It wasn't always easy, but we showed we are prepared to stand up and be counted."

Looking forward, BIBA's team has a packed schedule ahead. Graeme says: "I've been a broker and know what it's like to be doing the day job, but many outside do not understand what your role is – or the value of independent advice. We are now making big strides in raising awareness of the benefits of using a broker. There is a real energy here that can be sensed – we're working to promote the worth of all our members – and the message is getting across."

BIBA 2009 *Manifesto*

We are now preparing our 2009 *Manifesto* and members are encouraged to contact us with any issues or concerns they want us to take up on their behalf.

Representing members – pushing home BIBA's key messages

In 2008, BIBA:

- had meetings with 32 MPs from all parties
- provided a 1,000-word briefing paper on flooding to Lord Sheikh, which was used during his speech in the House of Lords. BIBA advised him regarding insurance fraud which resulted in the tabling of an oral question in the House of Lords.
- furnished Lords and MPs with a series of questions about continuous insurance enforcement, fraud, commission, flooding, age discrimination, the environmental liability directive, professional advice, price comparison sites, travel insurance and terrorism
- attended a meeting hosted by Andrew Love MP in the House of Commons for a discussion on financial capability
- attended the Associate Parliamentary Group on floods in the House of Commons hosted by Baroness Young and Sir Michael Pitt. The final Pitt Report on "lessons learned" is now out. BIBA submitted a full response. All of BIBA's *Manifesto* points have been achieved
- responded to 14 consultations, including the FSA, Department for Transport, the DVLA, DEFRA and the Cabinet Office
- had numerous meetings with Government departments, including the Treasury and Better Regulation Executive
- met the FSA 12 times
- worked with the consumer group Which? on the role brokers play
- provided information for a forthcoming *The Money Programme* episode
- met with executive directors of the British Bankers' Association to discuss industry issues. This will be a regular liaison
- assisted the Belfast Consumer Council with research on insurance accessibility and its cost in Northern Ireland
- dealt with almost 300 press enquiries in the first six months of the year.

Seize the moment

The credit crunch has caused anxiety around the world, but it has also created a revenue-generating opportunity for brokers in the UK, says **Mike Healey**

We are all aware of the national press coverage of the ongoing credit crunch which is hitting the world financial markets, including that here in the UK.

The impact of this on the UK banking system is inevitably affecting businesses and private individuals with regard to their own borrowings, including overdrafts and other loan arrangements they have in place with their banks.

So what does this actually mean? Until recently, as the global economy continued to boom, credit had been readily available for businesses and private individuals from many different sources, including banks, as well as premium finance companies.

As a result, these companies and individuals had a huge amount of choice of how to manage their expenditure including in relation to paying their annual insurance premiums. Effectively, they could opt to use their banks' credit facilities, either through overdraft arrangements, short-term loans, longer-term loans, credit cards and, of course, dedicated premium finance loans.

However, change has come about. Banks worldwide, through inter-bank borrowing and investment, have been exposed to a sudden meltdown in the US housing market resulting in bad debt write-offs, primarily in the subprime mortgage market.

This has resulted in banks losing money and so being less able, or even less willing, to carry on lending money to other banks. This drying-up of available credit inevitably increases the cost of money and creates greater selectivity as to who the banks will lend the available money

to. Essentially, the laws of supply and demand have taken hold and there is now less money available to borrow and what is available is at a much higher cost.

So, what does this mean to us here in the UK and, in particular, to insurance premiums?

Well, premiums that were previously paid in full by the client were most likely using finance that they had obtained from their own resources, such as a bank overdraft, short-term loan or credit card.

Now, however, we are facing the real possibility of banks reducing overdrafts or in some cases, calling in the entire overdraft and withdrawing unsecured and secured loan products. For example, we have all seen how the mortgage market has shrunk in the number of lenders willing to lend, the number of products available and how lending criteria has significantly tightened, all resulting in much higher rates.

As a result of this, the amount of choice available has been significantly reduced, creating more pressure on the finances of both companies and individuals alike to pay for, arguably, their single most important bill of the year – their insurance premiums.

Useful tool

So what can be done to resolve this conundrum? Premium finance companies can provide significant help here. They are able to lend the money required to pay for the insurance premium and, of course, broker fees and commission, so relieving pressure on clients' other borrowings – which may have been reduced and be required to support other operating costs and debts.

> Now, however, we are facing the real possibility of banks reducing overdrafts or in some cases, calling in the entire overdraft and withdrawing unsecured and secured loan products

The interest charge of the premium finance loan, which competes very favourably against bank overdraft and credit card rates, will be set at the outset and will be fixed for the period of the loan, thereby providing certainty should borrowing rates continue to rise.

For business clients, as a premium finance loan is typically over 10 months or less, and may be repaid before the annual accounts reference date, the loan can be seen as having a "zero balance sheet" effect, creating an additional line of credit for the benefit of the business without harming the strength of the balance sheet. This is a very useful tool for a financial director, particularly as the loan can be renewed each year in the same way.

Meanwhile, are the premium finance companies also affected by the credit crunch? A premium finance company, like any lending company, will source funds either from its parent or from the open market dependent on its structure/ownership. For those companies that access the open market, there will be a greater challenge to obtaining sufficient funds at a competitive rate, whereas those companies owned by large international banks have access to an extremely secure source of funds at the most competitive rates.

It is worth checking, therefore, the pedigree of the premium finance company you choose to place your business with if you want to make sure you will be able to continue to offer premium finance to your clients at the most competitive rates.

How does this benefit the insurance broker? First, it puts the broker in control as there is a degree of payment certainty – once the premium finance loan has been set up, you know when to expect to receive the funds from the premium finance company.

This has the added advantage of potentially creating some investment income opportunities, particularly as interest rates on money invested are increasing, as well, of course, of being able to add a finance commission (overrider) to the net rate provided to you by the finance company in addition to any volume-related or profit share arrangements. This all means extra revenue opportunities, which are very welcome at a time when increasing revenue can be very difficult.

As a result of this, there has probably never been a better time to talk to clients about the benefits of premium finance as a way of settling their insurance premium. Your client may well have not shown any interest previously, but times have changed and this could provide a perfect solution to them at a difficult time.

Mike Healey is regional sales manager, major accounts, for Premium Credit

Cover in virtual reality?

Some large brokers see huge advantages in operating as insurers without the capital risk, but not everyone sees their point of view, as **Jon Guy** reports

There is an old adage that whatever the current trend is in the US, it will find its way to the UK in the coming years in some shape or form.

Despite leading the global insurance and reinsurance market for over 300 years, the UK seems to have finally caught the US passion for MGAs, or managing general agencies.

Put quite simply, it is a virtual insurance company that carries out all the tasks you would expect from an insurer with one significant exception – it uses other people's capital.

Such an approach has proved to be hugely popular in the US for many years, and with the arrival of the consolidators into the UK market, MGAs have quickly followed, particularly for the major international broking houses which say they have the size and skills to make them work.

Willis, JLT and THB have all recently announced they are forming MGAs but, on the flip side, the underwriters are concerned that they bring additional competition to a market where prices are already under intense pressure and see an already crowded market getting ever more congested.

However, as JLT chief executive Dominic Burke explains, the decision to launch its managing general agency, Thistle Underwriters, came as a response to the needs of the capital providers who see risk and insurance as a solid investment, as the woes of the equity and fixed income markets continue.

"Many capital providers are coming increasingly to appreciate that the best way for them to secure an attractive return on large parts of their books of business is to standardise products and simplify the underwriting process," he says. "This they can do by outsourcing underwriting functions and partnering with an independent distributor. JLT makes a very attractive partner with its expertise and established strength in affinity marketing, the JLT online platform and our extensive international reach."

Dominic adds: "JLT's decision to create Thistle Underwriters as a separate business operation underlines the anticipated importance of this new initiative and, as importantly, clearly recognises that its activities are different from those of the broker."

Brokers have also sought to hire big names to head their MGA activity and

> A good MGA has to have expertise, systems, innovation and sales. In my view, those four words are the key to offering value to the broker
>
> Clive Nathan

while Thistle will have former Chubb, Brockbank, and Dual underwriting chief James Gerry at the helm, rival THB has lured former Euclidian chairman Jamie Truscott back into the London market to head its MGA, Unicorn Underwriting. Willis will have former RSA man Brendan McManus driving its fledgling MGA operation.

THB UK chief executive Andy Hawkes says: "We are delighted Jamie is joining us. He has a wealth of expertise and contacts within both the London and regional markets and will drive our ambitions to grow our underwriting agency business at a time when capacity providers view MGAs as a strategic distribution channel."

Jamie says that the aim of the THB operation was simple: "Unicorn aims to attract specialist cover holders and underwriters with track records for technical profit and a wish for independence," he explains. "We will facilitate their operations and give them a flexible environment to grow. Unicorn is already in dialogue with regard to a number of opportunities."

It is interesting that much of the driving force for the new breed of MGAs, according to those who are operating them, is the desire for greater distribution from underwriters and a simplification of the process. Clearly, it is their belief that the long-term benefits for the operators is a greater hold on the client and their business going forwards if you can both broker the business and underwrite it simultaneously.

Towergate Underwriting has been a leading player in the rise of the MGAs within the UK market as one of the most acquisitive operations in the sector and chief executive Clive Nathan said the formula for success is to deliver innovation and not concentrate on price.

"The most successful MGAs will always be those who can bring something new to the market that brokers instantly want," he says. "Innovation and genuine insight will always be the secret to delivering market access. And, of course, there's no point in innovation and expertise if you can't sell the product."

He adds: "A good MGA has to have expertise, systems, innovation and sales. In my view, those four words are the key to offering value to the broker, without which an MGA has no purpose."

He warns against focusing on price in a soft market, saying that those that did would lose capacity to those who were focused on the value proposition in the harder market.

Clive says: "With the appropriate investment in expertise, technology, innovation and a strong sales team the opportunity to stand apart as an MGA has never been better."

Further layers

MGAs will say that the slick IT systems that are now available, coupled with the ability to ease the frictional costs of processing and transacting business, has quickly established the MGA as a valued part of the insurance proposition.

Some senior figures in the market have questioned the role of the MGA, believing it only adds further layers and, more importantly, cost to the insurance transaction.

AXA Insurance chief executive Philippe Maso y Guell Rivet has publicly questioned the role and impact of the MGA and says the debate over the acquisition by some underwriters of brokers could just as easily be held about brokers forming and operating MGAs.

"There is little doubt that the MGA system has been growing over the past few years, without triggering too many questions around the possible conflicts of interest. However, questions have been raised recently over the fears that underwriters will acquire distribution networks in order to funnel business through a tied channel, which is exactly what brokers are doing with the creation of their MGAs."

He says he believes that "risk selection, underwriting and claims management" remain at the heart of any insurance organisation and its activity.

"One of my concerns with the MGA model in the UK is that for the sake of adding a few points onto the commission, a vital aspect of risk and capital management moves down the chain into the wrong space. Besides customer service and claims management, insurance companies must be able to properly manage risk selection at the right price. In the long term, it is not feasible for insurance companies to abdicate control in these areas while still providing endless capital resources to their customers. It is essential that insurers retain control in order to credibly attract capital into this industry.

"The current attempt to reincarnate insurance activity within the brokerage world has no medium to long-term validity and will prove damaging to the industry as a whole. I would advocate a return to a more traditional approach around the apportionment of tasks and responsibilities among the players in the value chain," he concludes.

> ...insurance companies must be able to properly manage risk selection at the right price
>
> Philippe Maso y Guell Rivet

Finding new ways to work smarter

Read on to find out about managing absenteeism, using technology for best practice and boosting visits to your website

Tackling the sick note culture…

How does a broker cope if an employee is persistently taking time off for what appears to be no good reason, yet presents a sick note to legitimise this?

Peter Done, managing director of employment law and health and safety specialists, Peninsula, says employees claiming to be "incapable of work" must provide medical evidence for the administration of statutory sick pay. This should satisfy the employer to certify incapacity for periods of absence, normally self-certification for up to six days' absence and a doctor's sick note for more.

Commonly, someone who has been a hospital in-patient will be 'certified' by the ward sister. "It's essentially up to the employer, based on the evidence, if they accept the employee is incapable of work," Peter explains.

In other cases, evidence will come in the form of a sick note from a general practitioner (GP). Sometimes though, it may not be a GP who has immediate control over the employee's treatment.

Information may come in the form of a recommendation from a healthcare practitioner. This will not look like the usual sick note from a GP – only a registered medical practitioner is permitted to sign these. "Give this due consideration because it may contain completely valid information providing grounds for your employee's incapacity. Paying attention to the content of the recommendation, not only its source, is vital," adds Peter.

Peter points out the case of a broker who told him an employee was absent from work with dental pain after visiting a dentist. "This could be potentially incapacitating, but quite understandably, an individual wouldn't visit a GP for this."

He stresses a healthcare practitioner's recommendation is not a doctor's sick note and, while not of equal status, it may recommend an employee has time off work.

"You should assess it fairly. Would you accept the evidence if it appeared word for word on a GP's sick note? Evidence of incapacity should not be dismissed purely on the basis of where it's from."

He emphasises employers should take "subtle measures to ensure the practitioner is genuine – the recommendation should include the name, address and practitioner's speciality."

Other healthcare practitioners from whom employers may receive recommendations as a way of certifying an employee's absence, include osteopaths. There are also certain NHS schemes for which referral from a physiotherapist or psychologist is possible – again, they could certify absence. "Consider the recommendation in the same way as a doctor's sick note but, ultimately, it's for employers to decide whether or not it's acceptable."

The Government urges action on sick notes

The Government is looking at a number of ways to stop GPs doling out sick notes on demand.

The UK has one of the highest numbers of people on incapacity benefit in Europe – numbers have more than trebled since the 1970s to 2.7 million in 2007.

Health Secretary Alan Johnson wants GPs to give out 'well notes'. The aim is that sick notes – known as Med 3 certificates – should include more information for employers about a phased return to work. There will be more training for GPs and other areas being studied include an electronic sick note system to improve communication between GPs and employers and employment advisers in GPs' surgeries.

Professor Steve Field, chair of the Royal College of General Practitioners, said: "GPs can be placed in a difficult position. Some patients who are on long-term sick leave would like to return to work but there can be barriers, such as poor access to physiotherapy – there must be a change in the attitude of employers and society." He said work and health are inextricably linked. "There is evidence being out of work long-term is bad for health, while being in work is beneficial."

All systems are go!

Far too many brokers are in chaotic, paper-filled offices and are failing to make the most of new technology which could improve their business process, according to industry experts.

Conform software, from Hitec Labs, for example, has been designed to reduce the risk of damage to reputation and financial loss, to provide evidence of best practice and to reduce costs.

Kai Vaksdal, Conform product manager, says: "Each new piece of corporate governance or compliance legislation forces businesses to review processes, in turn generating changes to corporate policies and procedures."

He continues: "Management has to disseminate the regulatory information in a timely manner, and communicate this. It's crucial they read and understand the content. Business reputation, the risk of regulatory fines and personal liability of senior management depends on this process."

Conform automates the process of creation, review, dissemination, versioning, audited electronic delivery and understanding measurement of corporate policies and procedures.

It provides proof of receipt, reading and, where appropriate, understanding. Through automatically scored online knowledge assessments and tests, Conform can ensure content has been understood; staff opinions and preferences can be collected using questionnaires and surveys, while real-time auditing can monitor all actions, and in the case of inaction, trigger pre-defined escalation procedures.

Meanwhile, Michael Holder, product manager for Swordfish – part of Capita software services – says brokers tend to be traditional to their approach to retaining paper, even though technology means better processes and lead to cost savings.

Swordfish comprises a suite of document management and workflow services and is being widely used in the London and Lloyd's market.

Michael comments: "We're now finding there is more interest from the provincial market. Consolidation is creating larger firms which need to manage far more documents – and retrieve the right one in seconds."

He adds that in a regulated environment, managing documents and records is vital and Swordfish enables brokers to comply.

"More brokers should also be focusing on disaster recovery," he adds. "Investing in the right system means a broker can be up and running quickly if they need to move premises. Relying on paper is inefficient and potentially dangerous."

Why broker websites are business-critical

Many brokers need to focus far more on having a focused internet strategy.

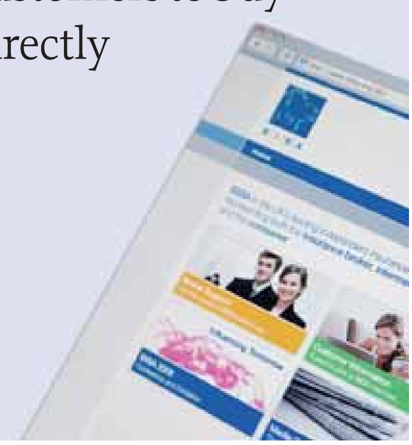
This is the view of David Saul, director of Fusion Internet Solutions, which offers a range of web-based broking solutions. "Some brokers are still frightened about websites. They pay a company – who may have little understanding about insurance – to design one and then simply forget about it," he says.

David advises brokers to think long and hard about what they want their website to achieve. And, in particular, if they are offering niche products about how they want to attract clients to their sites – and where possible, allow online sales. "There's little point in having an online brochure if your rivals are allowing customers to buy directly."

One of the most important aspects to an internet strategy, he adds, is understanding how search engine optimisation works. This is the process of improving the volume and quality of traffic to a website from search engines. "If you're niche, then key words are vital. It's possible to draw in customers to particular pages. It's also vital to change your site – search engines flag-up when something changes, so brokers should update their sites once a month, or more if possible."

He recommends using topical content where relevant which could be linked to news or practical help. "A good website needs commitment, but you don't have to pay a fortune upfront. We offer pay as you go options and it makes sense for smaller brokers to look for a hosted solution. A good website is a must and should reflect the business."

"" There's little point in having an online brochure if your rivals are allowing customers to buy directly



Making the difference

BIBA's schemes and facilities are out of the ordinary – and mean our members can go the extra mile to assist their clients. **Steve Foulsham** reports

Keeping ahead of the D&O curve
Directors' and officers' (D&O) insurance is the largest contributor to CNA Europe's Financial Lines product suite, and our online D&O service, **cnadirectors.co.uk**, plays an important part in this.

The D&O offering is aimed at privately-held companies with assets up to £250 million. CNA's experience in this sector shows that the risks facing larger companies differ in nature from those facing SMEs.

Smaller companies exhibit common risk characteristics, their exposure to which can be judged by reviewing key elements of their structure, activities and financial wellbeing via targeted questioning. This enables CNA to provide a quick response with multiple coverage options relevant to the risk presented. This saves time for the broker and underwriting expense for us, which can be passed on to the customer in the form of a lower premium.

Since its initial launch more than five years ago, **cnadirectors.co.uk** has undergone a number of changes. As a market leader for online D&O, it is important that we stay ahead of the competition and at the beginning of the year we undertook another review of the online offering, judging its standing within the marketplace.

In updating our D&O offering, our aim was to increase its efficiency, making it easier to use, quicker to respond and available for a broader range of potential insureds. All this while maintaining underwriting discipline, ensuring that we provide a sustainable, high quality offering, competitively priced.

CNA is confident it has achieved this goal. The result of its efforts is that **cnadirectors.co.uk** remains firmly at the forefront of D&O offerings for small and medium-sized enterprises. By framing the questions in such a way that captures all the relevant detail and cuts out superfluous information, it has managed to reduce the number of questions asked prior to binding an insurance quotation.

CNA has also made improvements to the facility elsewhere, including broadening its appetite, so that brokers can use the facility for more of their clients and prospects. The process of renewing the business online has been greatly improved and – of particular interest to brokers and their clients – commission rates have been enhanced while premium rates have been reduced, enabling CNA to continue to offer a very competitively priced, high quality product.

The improved service keeps CNA ahead of the game for UK online D&O. And as this dynamic marketplace evolves, it will continue to review the offering and work with partner brokers on further improving the products and service provided.

Key enhancements:
- greatly improved company search facility with more powerful name recognition and company registration number option
- expanded appetite
- reduced number of questions asked prior to binding a quotation
- premium rates reduced
- commission levels increased.

For more information, please contact John Taylor on 020 7954 9496 or email cnadirectorssupport@cnaeurope.com

A fresh start for ex-offenders
One part of BIBA's Real Non-Standard Household Scheme is aimed at those with convictions. In 2005, according to Home Office statistics, 1,014,872 people were fined and 81,085 people were sent to prison in England and Wales. In this current climate, it is reasonable to assume that these figures will have increased substantially.

Many of these people will have personal lines insurance policies and will be totally unaware that they should inform their insurance company of this fact. In many cases, it may be the offspring of the household that have been convicted and not the insured, however this will still render their household insurance policy invalid.

The majority of insurers will cancel, refuse to renew and even void policies once they are informed a client has a conviction.

BIBA scheme provider, Bureau Insurance Services, enables clients to obtain household insurance while at the same time declaring their conviction/s and so enjoying the benefits of full terms insurance with the comfort of knowing that claims will be met. Both Bureau Insurance Services and its underwriters treat all clients individually and sympathetically.

Over the last eight years we have worked with both private and Government organisations to ensure that ex-offenders have the right to, and access to, mainstream insurance products. Through Fairplay, Bureau Insurance Services can provide a household insurance solution.

In particular, we have worked closely with the Office of The Deputy Prime Minister because that department of Government feels that offenders can often be classified as socially excluded. When underwriting, we most certainly take into account cases where the convictions are spent and treat these as standard. We are probably the only "insurer" that asks the following question with regard to convictions on proposal forms: "Have you, or any of the people residing with you, ever been convicted of or are now awaiting trial for any criminal offence? (You do not need to disclose motoring offences unless you were disqualified from driving, for any convictions which are spent under the Rehabilitation of Offenders Act 1974)".

We have recently been approached by the ABI with a view to setting up a scheme for ex-offenders in Northern Ireland and this will include political offenders and their families.

For more information please contact Nicky Smith or Terry Browning on 01424 220110 or email cover@bureauinsure.co.uk

BIBA's schemes and facilities: the full range

1. Caravan – Touring and Static
2. Commercial Package and Combined
3. Crisis Control
4. Cyber-Liability
5. Directors and Officers
6. Electronic Marine Cargo
7. Excess Public and Products Liability
8. Haulage and LGV Insurance (MotorRISK)
9. High Net Worth
10. Holiday Travel
11. Home Insurance
12. Late Night Entertainment (ClubPM)
13. Let Property (BIBALet)
14. Loss Recovery Insurance
15. Marine Cargo (ClearCargo)
16. Medical Malpractice
17. Motor
18. Non Standard Property
19. Unoccupied Properties
20. Conflict Management Service
21. FSA Financial Compliance
22. Insurance RatingsView
23. Personal Lines Administration
24. Premium Finance
25. Telecoms
26. Valuation Services

Why being informed matters
The credit crunch has had an unprecedented impact on the capital markets and insurers seem to be getting swept up in the negative sentiment toward all "financials". Brokers are keeping a close watch on their insurers and Standard & Poor's (S&P) analytical process helps by providing a detailed opinion on the financial strength of these companies. BIBA has joined forces with S&P to offer a financial strength ratings service, available online and in real-time.

On the whole, S&P's analysts find many of the concerns being expressed about insurers to be unfounded and consider that the sector is in a position of relative, and absolute strength, says director Nigel Bond. The average rating of Europe's 156 interactively rated insurance groups today is 'A'.

Although there are negative trends at work and near-term capital market pressures, most European insurer ratings have sufficient "headroom" to withstand these. Standard & Poor's outlooks reflect this position: 82 per cent of the ratings have a stable outlook, seven per cent have a negative outlook or are on CreditWatch with negative implications, and 11 per cent have a positive outlook or are on CreditWatch positive. The ratings are not point-in-time measures of capital adequacy; we determine them based on our expectations of overall credit quality over at least a two-year horizon.

Capital adequacy has suffered during 2008 from the impact of increased bond yields and credit spreads (and thereby lower bond values), and lower equity prices. However, capital adequacy does not threaten most of today's ratings, partly because for most it started the year at a cyclical high.

Capital adequacy is part of the capitalisation analysis, which, in turn, is just one of eight categories of analysis. With their medium- to long-term focus, ratings can sustain periods when the "subrating" of capital adequacy falls below the rating level.

The extent of this shortfall depends on the relative strength of the other rating categories, notably the ability of earnings (derived from insurers' competitive positions, which itself is guided by management and their strategy) and financial flexibility to replenish capital. Financial flexibility (the ability to raise capital and liquidity when required) is currently impaired by the state of capital markets.

Furthermore, subprime exposure has not had a material impact on the ratings on European insurers. Standard & Poor's estimates that, excluding the bank operations of bancassurers, the aggregate asset-side mark-to-market impact is a moderate $7 billion.

For more information on the Standard & Poor's BIBA facility, please contact Christina La Rocca on 020 7176 7022 or email Christina_La_Rocca@standardandpoors.com

Steve Foulsham is BIBA's technical services manager

The drive to a safer future

BIBA's ongoing persistence in wanting to see rigorous action taken to reduce the number of accidents caused by uninsured drivers has finally paid off, as **Rachel Gordon** reports

BIBA has secured a major victory in improving road safety through managing to convince the Government to introduce continuous insurance enforcement (CIE).

On 4 September, Graeme Trudgill, BIBA's technical and corporate affairs executive, met with Jim Fitzpatrick, the Parliamentary under secretary of state at the Department for Transport, along with representatives from the Motor Insurers' Bureau (MIB) and the Association of British Insurers (ABI).

It was at this meeting that the Government finally agreed to commit to deliver and fund the continuous insurance enforcement (CIE) process. "This has been a long time coming, but we lobbied long and hard via questions in Parliament, meetings and talking to everyone who mattered about this. CIE also forms a key part of our Manifesto," says Graeme. "We now want to see this pushed through as quickly as possible and expect to see a consultation paper published this autumn."

He describes CIE as the key weapon against uninsured driving. It will result in uninsured drivers being caught by default through a regular systematic database comparison. They will subsequently be sent warning or penalty notices and could ultimately end up in court, with their vehicle being clamped or seized if they do not insure it.

Warning letters will be sent as part of the enforcement process if their vehicle details are not correctly on the Motor Insurance Database (MID) or the DVLA database. The penalty for this new offence will be a £100 fine or, if this is not paid, it will result in an escalating process which could result in the uninsured vehicle being clamped/seized/destroyed and the individual in Court.

The consultation process will last three months and once the responses have been studied, the new regulations will be drafted. The Government is almost certain to appoint the DVLA to be the enforcement agency, as it already manages the continuous registration process, which works along similar lines.

CIE was first mooted back in 2004 and was one of the recommendations in the Greenaway Report on uninsured drivers.

Professor David Greenaway, now vice-chancellor of the University of Nottingham, is an economist who studied ways of tackling uninsured driving and recommended a range of measures, including seizure and destruction of vehicles and fixed penalties.

New offences

The Road Safety Act 2006 came into force in November 2006 and introduced a new offence of causing death when driving while unlicensed, disqualified or uninsured, with a penalty of up to two years' imprisonment.

And it created a further new offence of being a registered keeper of a vehicle for which no valid insurance policy is in effect. Hence, it is a criminal offence if a vehicle record is not on the MID if it has not been declared under a statutory off-road notification (SORN).

The Act also provided for the introduction of a new scheme of continuous insurance enforcement – and at the time, said this was planned for 2008. However, this was put on the back burner until BIBA began campaigning hard.

Many are disappointed with the UK's previous attempts to tackle uninsured driving. According to the road safety charity, Brake: "A driver convicted of causing death when driving while unlicensed, disqualified or uninsured who is sentenced to the maximum of two years is likely to serve half their sentence and get out in just one year. This is not enough punishment for a person who has intentionally got into a vehicle and driven illegally on a road, and killed an innocent person while doing so. Brake is calling for the law to have a higher maximum penalty and for the law to include hit and run drivers and not just unlicensed and uninsured drivers."

And Graeme comments: "Penalties are not tough enough. There are far too many people who think they will save on the cost of paying say £600 for comprehensive insurance, to risk driving uninsured and think that at the worst, they will be fined £100, but now they could their lose their car under the new CIE system." Neil Drane, head of MID Compliance and Enforcement Services at the MIB says: "It's not about the actual fines, this is about the ease and frequency which those who choose to avoid buying insurance will come to the attention of the authorities."

Persistence pays off: BIBA's Graeme Trudgill

> "...when it comes to uninsured driving, our record is disgraceful. For example, in Germany, uninsured driving is around 0.1 per cent – here it is about six per cent"

BIBA has been battling hard on this issue for almost five years. This included meeting with senior civil servants, raising questions in Parliament and putting across the message on national television and radio. "When little was happening, we advised Clwyd West MP David Jones, who raised questions in the House of Commons. BIBA also wrote to transport minister Ruth Kelly."

Part of BIBA's role was to get across the message that uninsured drivers are a serious threat to the country – and economy – as a whole. "We had to show that there could be substantial long-term savings in return for the Government's agreement to fund CIE now."

He points out that, apart from the obvious benefit of safer roads, there will be a rise in the number of motor insurance policies sold – which, in turn, will lead to a short-term boost to the Government's coffers by way of insurance premium tax. There will also be increased fine revenue and correspondingly, a reduction in the MIB levy on innocent motorists.

Graeme adds that the UK has one of the worst records in Europe for uninsured drivers. "It is all very well to say we have a well-regulated financial services industry and that crime is falling in some areas. But when it comes to uninsured driving, our record is disgraceful.

For example, in Germany, uninsured driving is around 0.1 per cent – here it is about six per cent. And we liaised with police forces, who have found evidence of serious crime when they come across an uninsured driver, including those involving firearms."

There is no doubt the motor insurance database (MID) has had an impact. More than 350,000 uninsured vehicles have been seized to date, and claims for accidents involving uninsured drivers have been reduced by 10 per cent since 2006.

However, CIE will make it even harder for the uninsured to hide from the law. The

Explaining CIE – the six steps to fewer uninsured drivers

CIE encompasses a number of proposed steps and is aimed at forcing drivers to buy insurance – if they do not, they will be unable to gain access to their vehicles.

Step 1 – the MID and the DVLA registered keeper database will be compared

Step 2 – vehicle keepers who do not have insurance can then clearly be identified and put into a suspect pool

Step 3 – a warning letter will be sent to those keepers who have no insurance

Step 4 – the keeper will either contact their insurance provider or DVLA to ensure compliance. Alternatively, if the vehicle is no longer being used on the road they can complete a statutory off-road notification (SORN)

Step 5 – if the keeper has not arranged insurance and ensured MID compliance (which can be checked on **www.askmid.com**) then they will be sent a penalty notice by the DVLA

Step 6 – if the penalty notice has not been paid and the keeper is still not insured then the court process will begin and the vehicle will also be clamped.

Motor Insurance Bureau's chief executive officer, Ashton West, says: "This latest news supports everything we have been doing to reduce the level and impact of uninsured driving, and we look forward to CIE making the critical step change in the fight against this totally unacceptable crime."

Allan Briscoe from Aon – chairman of BIBA's Motor Panel – says: "BIBA is determined to reduce this problem and, working with Government, we are making real progress. Tackling the high level of uninsured driving will not only make our roads safer, but could reduce the insurance costs for all law-abiding motorists."

CIE is going to have implications for brokers. Graeme comments: "CIE will mean more work for brokers – but they should be positive about this. Most brokers handle some motor business and they will undoubtedly have clients who will want to know more about the regulations. Some clients may receive warning letters and will want to know what to do and so call their broker. It is going to be more important than ever before that brokers do all they can to help with ensuring their clients are MID compliant."

He emphasises: "Brokers will play an important part of raising awareness of CIE. The broker's message will be one of helping customers not fall foul of the law, whereas the Government will act as the enforcer. Brokers should certainly be able to help reduce the number of so-called soft evaders who have been slow in renewing cover or who think because they rarely drive a vehicle that they can avoid buying insurance."

Graeme sits on the DfT Motor Insurance Compliance Action Board, the MIB Motor Insurance Database Fitness for Purpose Programme Board and the MIB CIE Project Board and will ensure members' views are fully represented as CIE progresses. Meanwhile, he adds the BIBA Motor Panel meets quarterly and this is one of the main subjects for discussion.

"Now is the time to find out more about CIE and I feel our members will be delighted that at long last we are seeing real progress. Please feel free to contact your local regional committee or me directly if you would like to find out more," he says.

Facts about uninsured drivers

- Around two million people drive uninsured in the UK
- Uninsured and untraced drivers kill around 160 people and injure 23,000 annually
- The total cost of uninsured driving is in excess of £500 million a year
- A death caused by an uninsured driver costs the economy some £1.4 million, while a serious injury costs around £160,000
- The Government has estimated publicly that if the number of uninsured drivers was cut by a third, it would save insurers £764 million over five years
- Uninsured motorists are 10 times more likely to drink and drive than those with insurance
- They are six times more likely to drive a non-roadworthy car
- They are three times more likely to be convicted of driving without due care.

When the going gets tough

As the credit crunch starts to bite, brokers should ensure they are managing risks and have proper cover in place advises **Mark Roddis**

Fed up with reading and hearing about the credit crunch? It does seem to be everywhere, but switching off is not a good policy.

In a number of ways, brokers are facing increased risk. Being aware of this and making risk management a priority will prevent the likelihood of a PI claim and minimise damage to your business.

At a time when it seems the cost of everything is going up – and the soft market seems unending – it can be tempting to cut corners. Perhaps a vacancy has come up and you've decided not to fill it. Maybe a member of staff is on maternity leave and you've spread the extra work around. Is everyone – you included – trying to do too much?

It seems that more and more brokers are doing more – and when it comes to delegated authority schemes, this is obviously through choice. However, at Lockton, we believe claims linked to brokers exceeding underwriting authority will be on the rise. And with insurers similarly feeling the heat from the economic downturn, they are far less likely to back a broker who has overstepped the mark.

Let's not forget either that tougher conditions increase the pressure on all types of businesses. Clients are likely to be more demanding. Can the broker find them a cheaper deal? Would it be possible for the broker to 'cover up' details of a previous claim? At worst, what if a broker suspects a client of fraud – being asked to intervene in the case of a claim where there is uncertainty can be an invidious situation.

Indeed, the BDO Stoy Hayward FraudTrack report showed that reported fraud cost UK businesses over £705 million in the last six months alone – a 74 per cent per cent increase on the same period last year. It said the picture is worst in the finance and insurance sectors – in those same six months, reported fraud cost the UK's bankers and insurers more than £636 million.

So, be vigilant against the risk of becoming a party to fraud. If you are accused of mis-selling cover and perhaps warned of an impending civil action by clients, this is where the quality of your PI cover comes in.

One broker told me he felt "like singing from the rooftops" when he spoke to one of our in-house claims experts. He could explain the situation to someone who was on his side – there was someone to help him present the facts to the insurer and offer a lot more than tea and sympathy.

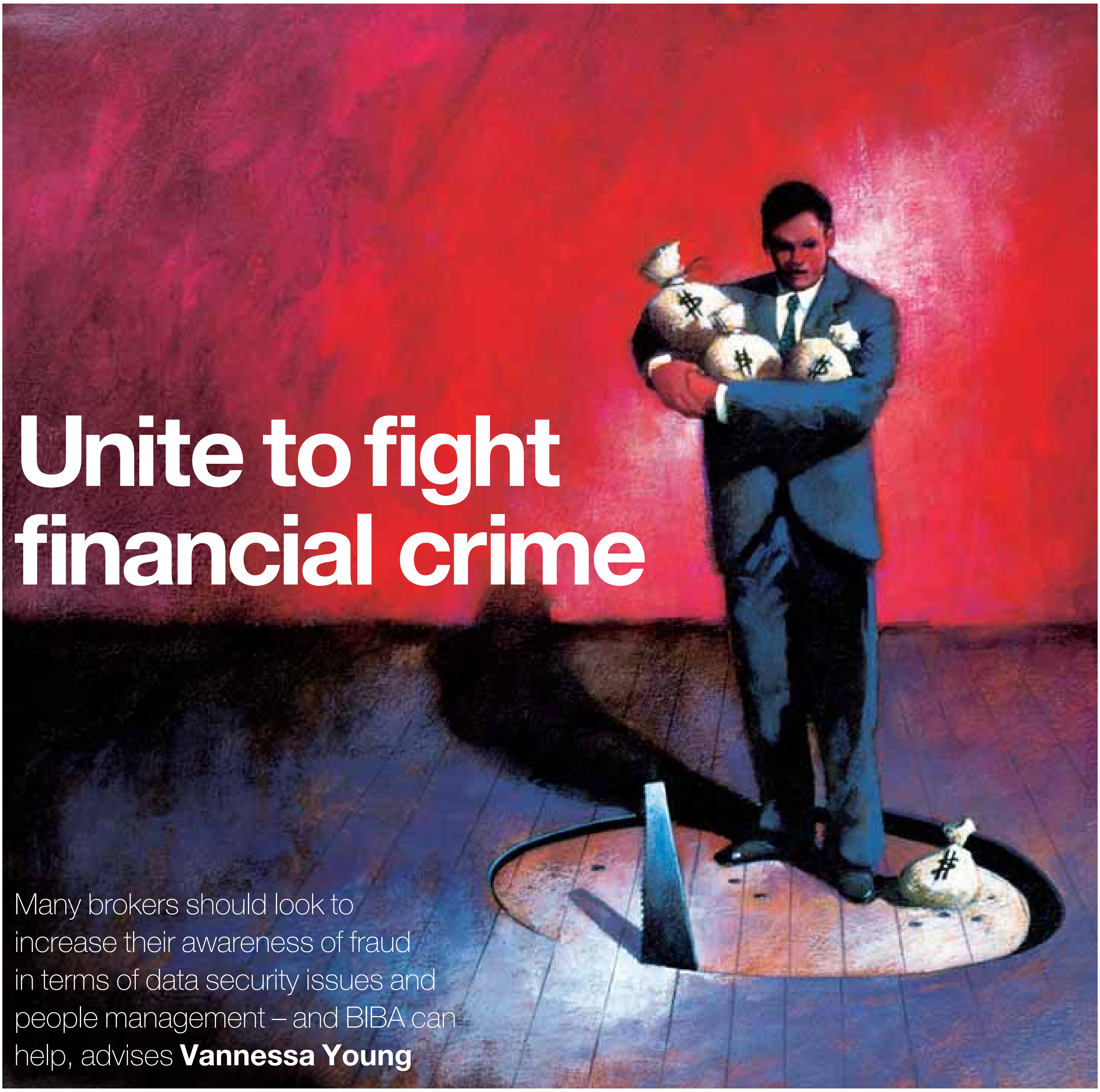
There are brokers out there who may well warn their customers against buying insurance direct, but insist on purchasing their own PI cover. This could be because they think they will have a better understanding than most when it comes to wordings and, in particular, that they think they can find the cheapest deal. As we know from experience, this genuinely is a false economy.

And, knowledge is power, so could I also recommend that members read the *BIBA Professional Indemnity Initiative Volume 3: A guide to a broker's management of PI risks.* This can be downloaded from the BIBA website – it is under the PI section, click on 'risk management'.

This is a common-sense guide which will not take long to read, but should leave a lasting impression of ways to improve risk management. It talks about typical claims, their causes and outcomes.

Also covered is managing risk and FSA compliance and it also describes ways of coping with that trickiest of areas, 'the human factors' and how your employees can potentially create problems that can turn into claims. It provides a template on managing risk effectively and outlines our exposure, explains the importance of evidence and overall will provide a firm footing for the future – whatever happens with the economy.

Mark Roddis (far left) is executive director at BIBA-accredited PI broker, Lockton



Unite to fight financial crime

Many brokers should look to increase their awareness of fraud in terms of data security issues and people management – and BIBA can help, advises **Vannessa Young**

One of the more interesting facts – and there are many to choose from – to emerge from Misha Glenny's recent book *McMafia: Crime without Frontiers* is that the unregulated shadow economy may now account for up to 20 per cent of the world's gross domestic product.

Given that the International Monetary Fund estimated global gross domestic product (GDP) to be in the region of US$64.9 trillion (£32.88 trillion) in 2007 that is an astonishing amount of dirty money sloshing around out there.

Misha, a *Guardian* and BBC journalist, has spent many years investigating organised crime in its many guises, be it drug or people trafficking, prostitution, illegal labour or counterfeit goods.

He even takes time to look at the role of the consumer in fuelling illegal activity, whether it is through using the services of prostitutes or trying to save a bit of cash on a carton of cigarettes by buying them cheaply from a man down the pub, no questions asked.

What this ultimately means is that firms and individuals in the legitimate economy are never very far away from illegal activity. This growing trend is one of the reasons why BIBA has sought to raise awareness among its membership about financial crime with the publication of a new guide and a series of targeted regional lectures by the Serious Organised Crime Agency (SOCA).

All members should have received a copy of *Protecting your business – a BIBA guide to the prevention of financial crime* publication by now; with further copies available from the compliance team at BIBA House should they be required. The publication is also available as a pdf file on BIBA's website.

Steve White, BIBA's head of compliance

and training, says: "The BIBA guide is designed in an easy-to-read format and while by no means exhaustive, aims to raise awareness of some of the risks that may expose members' businesses to economic crime and suggests measures they can take to protect themselves.

"We would urge all members to read the publication and see how they can apply its contents to their business. Obviously, any measures put in place would need to be risk-based and proportionate – taking into account the size, complexity, customer base and the structure of the firm implementing them."

The problem is not going to go away; if anything it is going to increase in size as the economy falters. Take fraud for instance, which is just one facet of financial crime. Research from accountants and business advisers BDO Stoy Hayward shows that reported fraud cost UK businesses in excess of £705 million in the last six months alone – that is a massive 74 per cent increase on the same period in 2007. Its FraudTrack analysis is based on all reported fraud cases in excess of £50,000 in the UK – the actual figure, however, is likely to be higher as some businesses will have been too embarrassed to admit that they have been targeted and not reported the problem.

The picture is worst in the finance and insurance sectors, according to the survey. In those same six months, reported fraud cost the UK's bankers and insurers more than £636 million – an eye watering 90 per cent of the total cost of fraud in the first half of 2008 – a fifteenfold increase from fraud levels last year.

The figures show that management fraud accounted for 46 per cent of fraud cases and third-party fraud accounted for 32 per cent, costing businesses a total of £541 million, which makes up 77 per cent of all reported fraud in the first six months of 2008.

Criminal gangs

Businesses need to be aware that while organised criminal gangs do pose a threat to their business, a significant threat is posed by their own internal management and the people they do business with on a daily basis.

Firms, it would appear, are failing to get to grips with the fraudulent activity of their staff. However, they can expect their senior executives and the regulator to take more of an interest in the arrangements they have in place to combat the problem as the credit crunch deepens. Businesses will have to tighten their anti-fraud

procedures and the BIBA guide looks at some of the measures that they can put in place to tackle the problem of employee fraud.

An FSA review of firms' customer data security also highlighted how employees and third-party suppliers can expose firms to the risk of identity fraud and other financial crime. The regulator reviewed the standards and practices that a sample of firms across the financial services industry currently use to manage the risk of data loss or theft. The findings led the FSA to conclude that poor data security is currently a serious, widespread and high-impact risk to the regulator's own statutory objective of reducing financial crime.

The FSA discovered that a very wide variation existed between the good practice demonstrated by firms committed to ensuring data security and the weaknesses seen in firms that are not taking adequate steps to treat fairly the customers whose data they hold. Overall, data security in financial services firms needed to improve significantly. Many firms, particularly smaller businesses, still needed to make substantial progress in order to protect their customers from the risk of identity fraud and other financial crime.

The results of the review were published in a report entitled *Data Security in Financial Services* along with a number of examples of good and bad practice found among firms.

Members can access the document by visiting the following link: **http://www.fsa.gov.uk/pubs/other/data_security.pdf**

The FSA also published a fact sheet for the senior management of smaller firms to explain what they should be considering when handling, storing and disposing of customer data.

The regulator now expects firms to use these findings and translate them into a more effective assessment of risk at their own businesses, and to establish improved controls as a result. BIBA members should be under no illusion that the FSA is not serious about data security as the report carries the warning that if firms fail to improve, the regulator may take enforcement action.

The Criminal Justice and Immigration Act 2008 creates tough new sanctions for the Information Commissioner's Office (ICO); as if firms need further encouragement to improve data security. This new legislation gives the ICO the power to impose substantial fines on organisations that deliberately or recklessly commit serious breaches of the Data Protection Act 1998.

The final word goes to Richard Thomas, information commissioner, who so succinctly summed up the pitfalls and the rewards of getting data protection right in his introduction to the FSA's April 2008 report. Richard noted: "The blunt truth is that all organisations need to take the protection of customer data with the utmost seriousness. ... Getting data protection wrong can bring commercial, reputational, regulatory and legal penalties. Getting it right brings rewards in terms of customer trust and confidence."

> The blunt truth is that all organisations need to take the protection of customer data with the utmost seriousness... Getting data protection wrong can bring commercial, reputational, regulatory and legal penalties

Vannessa Young is BIBA's compliance co-ordinator

The sky's the limit

The Chartered Insurance Institute (CII) is creating bespoke training designed by brokers for brokers – potentially this could allow them to reach new heights, observes **Elliot Lane**

Managing general agency (MGA) models, disintermediation, offsetting risk to capital markets – heard it all before? These concepts, some dating back to the last century, are being resurrected and recycled. More importantly, these buzz terms are changing the way this sector functions.

Understanding new – and older – ways of working is essential, and this is why training has never been so crucial.

Disintermediation of the personal lines broking community, due to the phone and internet, means direct has won the battle against face-to-face advice for one reason – inefficiency. When the business is overburdened by cost it impacts the customer, and there is little return for the broker.

However, as the CII Faculty of Underwriting research published last year found, the distribution channel is shortening to such a degree that underwriters are acting more like brokers.

This is now having a knock-on affect on commercial lines business. Fundamentally, the risk for the commercial client could be adjoined to the capital markets more efficiently. Disintermediation of the insurer results – and the door is opening wider for brokers to slip in.

If brokers are going to aggregate risk, bypass insurers and go direct to capital markets, then their skill set has to adapt. Technical skills are essential, but within the capital markets a plethora of soft skills will be needed, including project management, marketing and IT skills.

One of the advantages of the CII Broker Academy, supported by both BIBA and AXA, is that it provides training shaped by brokers for brokers. The CII has received constructive feedback and many of the courses have been developed to address business issues, incorporating the soft skills element needed in the modern world.

It has now extended its regional reach through its partnership with compliance expert Searchlight Insurance Training so brokers can access face-to-face training plus complement this knowledge through e-learning, completed online at the desk during the day or evening.

Broker Academy

Searchlight will also be offering bespoke broker training through the Broker Academy – designing and delivering custom-created training to reflect brokers' precise training objectives – and working with the CII to create unique training programmes and events tailored to current hot topics.

The Broker Academy has also begun co-ordinating with major insurers, national and regional brokers on the current trend to instil a culture of apprenticeships. Upskilling first jobbers who shy away from formal academia and are happier taking professional qualifications or joining training programmes is the target market for apprenticeships. For example JCB Insurance Services, where 10 members of its staff recently completed the Certificate in Insurance as part of the Apprenticeship Programme.

Decent mentoring in middle management is what many organisations lack. The Broker Academy can help fill these gaps, which could be complemented by a professional facilitator to stretch the firm's employees' strategic thinking. It is not expensive or massively time-consuming.

Back to inefficiency. Well-trained and competent staff are not inefficient. They are the lifeblood of any organisation. As Lord Hunt of Wirral said this year, while UK business suffers from the economic slowdown, the need to retain experienced and competent staff is crucial for the long-term survival of our economy.

The CII Group has recently responded to the DIUS Higher Education at Work Consultation Paper and supports the Government's drive to increase skill levels within the UK workforce, in particular its proposals to better align the needs of business with educational provision.

The insurance and financial services industry delivers almost one-tenth of the UK GDP and as Willis chief executive Joe Plumeri said insurance is "the DNA of capitalism". It is a cliché, but knowledge is power and though the idea of using capital markets and establishing MGA models may seem ridiculous, overblown, objectives for the small provincial broker, there is no harm in actually thinking about the ideas.

Who knows where it might lead?

Elliot Lane is the CII's head of media relations

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Norwich Union (an Aviva company), Chubb, NIG, CNA, Ecclesiastical, Fortis, Sterling (looking after tomorrow), AIG, Premium Credit, Travelers, Capita Insurance Services, Groupama Insurances, Cunningham Lindsey, MMA Insurance, AXA, Allianz, RSA, towergate partnership, Tokio Marine Europe, ACE, Zurich, Hiscox

Short-term fix, long-term business

Mike Slack's new business Temporary Cover is proving a storming success. He talks about launching the venture and what drives him on

What's the story behind Temporary Cover?
I have always liked niche businesses and I spotted a gap in the market to sell short-term cover for cars and vans a couple of years ago. The policy is now sold by a number of brokers, as well as direct. It's quick, straightforward and cost-effective. Full details are available on our website, www.tempcover.com

Why was there nothing else like it?
I have no idea. But, the insurance industry is often inflexible – they like to sell packaged policies for a year at a time. Where does that leave someone with a friend visiting from abroad or if they want to hire a van for a few days... or if a son or daughter wants to borrow another family member's car?

Was it easy to set the business up?
The tricky part was convincing an insurer that this would work – but RSA agreed to work with us and business has since taken off.

In February 2008, you sold the business you set up, the Fyfe Group, to RSA. Do you have any regrets?
Of course, you have mixed feelings and I was proud to run an independent brokerage. But the timing was right and it also freed me up to do other things.

...which are?
One was to chair Temporary Cover, but I am involved in some other insurance projects, which, unfortunately, I can't reveal right now. I have also moved into property investment.

Do you see a future for independent brokers?
Of course, it's what I'm doing. I believe consolidation has peaked. There are other models beyond just buying up businesses and the bigger you get, the more personal service goes out of the window. I think we'll be seeing more smaller businesses set up over the coming years.

Presumably you don't have to work, so why do you?
Because I want to. I like thinking of new concepts and seeing these turn into a business. I keep an eye on figures, but I'm less interested in processes and management – I like to work with good people I can trust for this. Paul Inskip, who was managing director at Fyfe Group, will be joining Temporary Cover as IT director, and his son Alan is already MD here.

You are on the FSA board as a non-executive director. Do you feel most brokers accept and see the benefits of regulation?
I would emphasise that most insurance brokers cope with regulation extremely well. But I am disappointed with some in the mortgage and IFA sectors. It reflects badly on all of us if a firm has a hit-and-run policy. I am aware of cases where a broker has mis-sold a mortgage, earned say £4,000 in commission and thought they could just walk away.

Whether or not commission disclosure should be disclosed is still under review. What are your thoughts?
My personal view is that we will see a market solution – although I must emphasise I can't speak for the regulator. An industry-led agreement would make far more sense, not least because compulsory disclosure has been shown not to pass the cost benefit analysis.

You are on the BIBA board – do you feel members' interests are well served?
I was a member around 20 years ago. Then, as many members will know, I founded the AIIB because I felt small brokers were being overlooked. When some four years ago it was decided to take this association into BIBA, I came back into the fold. I'm pleased that there is now a great deal of emphasis on smaller brokers and ensuring they are well represented.

Is sailing still your big passion?
Yes, I've two boats, one for sailing, which is kept in Spain, and a power boat which is kept on the south coast in the UK.

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- Independent travel for all insured persons, including children
- No terrorism exclusion
- Children under a family policy are covered up to the age of 23 if still in full time education, even if not residing at the same address
- Many hazardous activities (eg scuba diving) are covered as standard
- Single excess applies per family, per incident
- Infants 3 and under travel free
- Adults can be covered up to the age of 85 on a single trip policy, 75 on an annual multi-trip policy for Europe and 70 for Rest of the World
- Up to 45 days any one trip, with unlimited trips on an annual multi-trip policy
- Up to the maximum age for winter sports
- Option to increase from 45 days to 60 days stay on annual multi-trip policy
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To find out more or to register your interest please email travel@tokiomarine.co.uk

TOKIO MARINE EUROPE

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www.tokiomarine.co.uk

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