

Issue 3
August 2012

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THE Broker

The British Insurance Brokers' Association

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Exclusive commentary
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Welcome

Revisions to the Insurance Mediation Directive have just been published - and we're continuing to lobby in Europe on members' behalf.

It's good to see aggregators and travel agents fall within the directive's scope, as we lobbied for. But, we're concerned about the imposition of a five year timetable to mandate commission disclosure. See more in regulation news, page 11.

I'd also like to thank everyone who responded to our recent membership survey. The vast majority of you see regulation as the big issue for us to focus on going forward and we're putting all our efforts into ensuring there is a fair deal for brokers.

Leighann Forsyth
Editor

Member Helpline:
0844 77 00 266



The coalition Government is feeling the pressure

16 Opinion

The expansion of UK Export Finance's products creates opportunities for brokers and in growing the economy. The Minister for Trade and Investment, Lord Green, sets out his agenda for increasing and protecting British exports

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Are we now approaching a 'fees for all' model for our sector? We look at what the options are for brokers in the light of the revision of the Insurance Mediation Directive and in the drive for professionalism

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Keith Stern, UK Regional Manager for the UK and Ireland, explains why the international marketplace wants to do more to boost its presence in the provinces through a programme of engagement

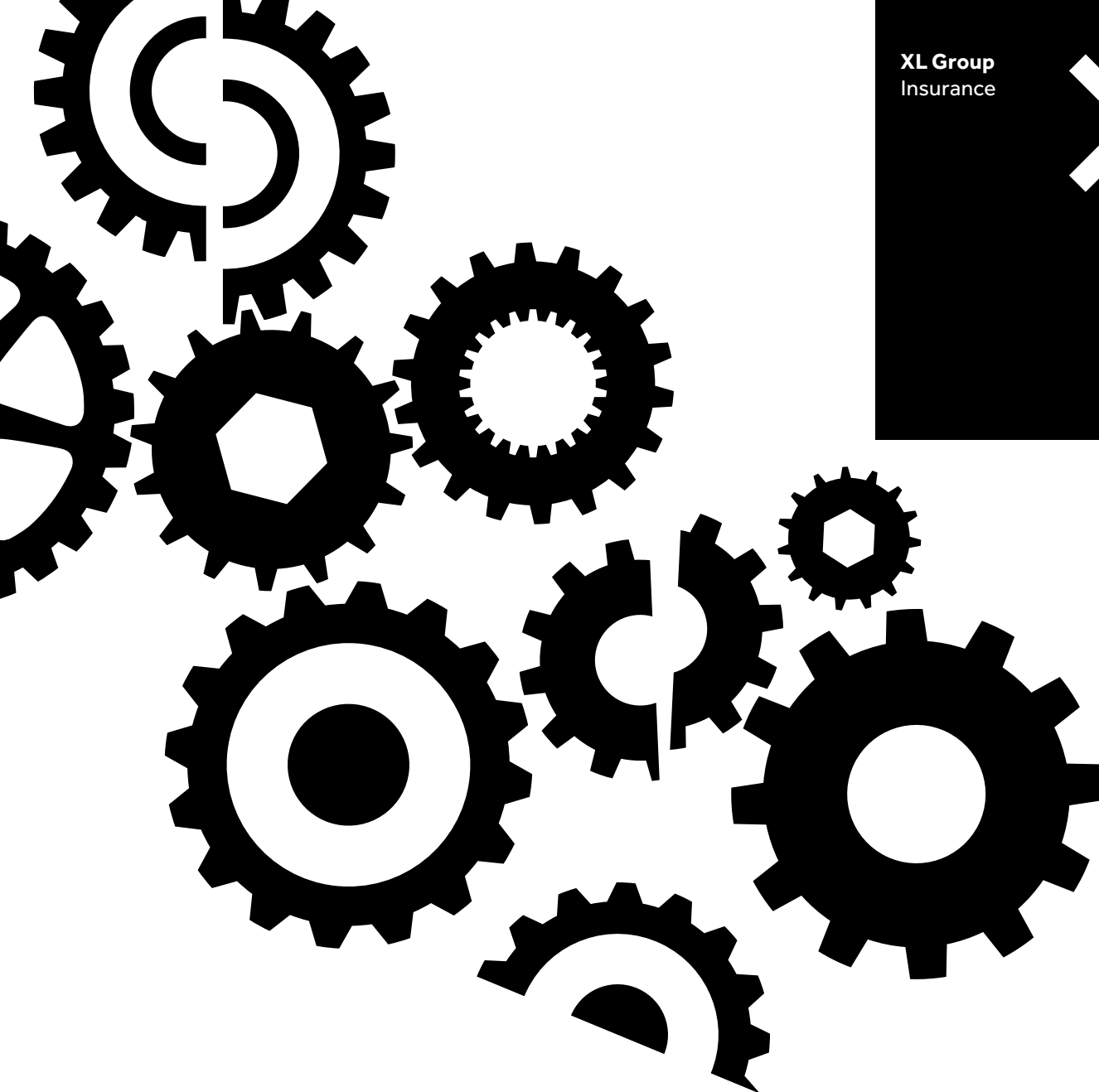
26 ANALYSIS

MPs may be refreshed from their summer break but there looks to be no let up in terms of demands on both the Government and Opposition. Ben Baruch of BIBA's political advisers Fleishman Hillard, looks at the make or break issues that are set to fill the headlines in the coming months.

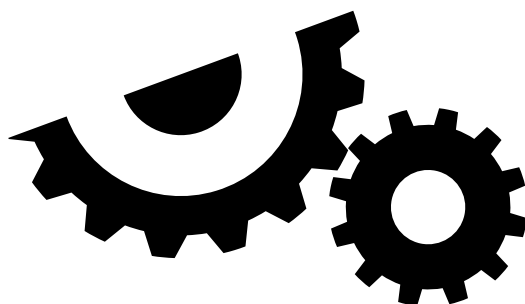
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CEO update

It hasn't been a quiet summer for BIBA as we've spent a lot of time in Brussels lobbying European stakeholders on the Insurance Mediation Directive and we began our strategic review with Deloitte. There are numerous other issues on our agenda and below are the key points impacting brokers.



Eric Galbraith, BIBA Chief Executive



THE BIG ISSUES

1

Flood

We are working to find a suitable solution for the availability of fairly priced flood insurance. The government is keen to find a solution for when the insurers' Statement of Principles ends next year. We expect further announcements in the second half of the year.

2

Unconditional risk transfer

I am calling on insurers to develop a market agreement on unconditional risk transfer to address changes to client money rules and the regulator's growing focus on premium handling. If we can achieve this, it will help to reduce the cost of regulation.

3

Insurance Mediation Directive (IMD) review

The draft text for the IMD introduces a five year timetable for mandatory disclosure, meaning it could come into force by 2019. The important point is the need for a level playing field so that insurers also have to disclose an appropriate equivalent. There is an attempt to provide a level playing field with insurers but frankly it is not sufficient. On a more positive note, our lobbying has meant travel agents and price comparison websites are now included within the regulations.

4

Financial Services Bill

This Bill which impacts on broker regulation is passing through the House of Lords. We are briefing relevant peers on our concern that the regulatory approach should be proportionate to the risk posed and the overall contribution to economic growth. We also want some requirement to ensure downward pressure on costs.

5

Conditional lending

We are hearing trends of potential conditional lending where banks are pressuring commercial customers to move their policies. We need evidence to take this up with the British Bankers' Association. Please let us know if you have any.

6

ELTO

I understand members are facing problems with the willingness of small businesses to supply Employer Reference Numbers (ERN), under new Employers' Liability Tracing Office (ELTO) requirements. We are working with ELTO and lobbying other trade associations, accountants and lawyers to help raise awareness. Please advise of any other barriers you may have encountered.

7

Financial Services Compensation Scheme (FSCS)

I was very disappointed to see that the FSA is proposing a 50% increase in the financial cap on our sub-class and the introduction of a 'retail pool'. We continue to lobby for a more equitable funding mechanism for professional insurance brokers and have appointed consultants and lawyers. It will not be easy but all options must be considered.

8

Legal expenses and other add-ons

The FSA, and soon to become the Financial Conduct Authority (FCA), will continue its focus on 'add-ons' such as motor before the event legal expenses, where I believe they have issues around how this product is sold. I urge all members to ensure that they are complying with the product disclosure rules as set out in ICBS.

Conference breaks records

BIBA 2012 in Manchester saw a record breaking 4854 individuals, including 2996 brokers, come together to network and hear from industry experts and keynote speakers. Highlights from Eric Galbraith's opening address included:

- Deloitte had been appointed to conduct a strategic review following the IIB merger to ensure BIBA is a leading association in the 21st Century.
- BIBA had appointed consultants and lawyers to find a solution to the unfair structure of the Financial Services Compensation Scheme (FSCS) and called on the FSA to get its FSCS review underway
- Eric called for insurers to support unconditional risk transfer to address changes to client money rules and a growing focus from the regulator on premium handling.
- Broker ASSESS, the broking industry's most widely-used, authoritative online training and competency resource, had undergone a comprehensive upgrade.



Connection Zone: Brokers getting social



Insurances

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LONDON CALLING FOR 2013:
BIBA 2013 IN LONDON – MAY 15-16

For more information see the BIBA TV highlights online at www.biba.org.uk



Sir Tim Berners-Lee



Andrew Marr

HIGHLIGHTS OF #BIBA2012 TWEET FEED

@transactorgsltd: A huge thank you to everyone who came to our stand at #BIBA2012 ... One of our most successful BIBA events we think!

@kdcalloway: Another excellent #BIBA2012. Great to see so many familiar and new faces that made the long trip north!

@insure4biz: It's great as a broker to have so many insurers in one place well done to all who made #BIBA2012 happen looking fwd to #BIBA2013

@HinelnInsurance: Productive 2 days @ #BIBA2012. Great to catch up with people & interesting speakers - particularly enjoyed Andrew Marr & Sir Tim Berners-Lee

@NeilAtHigos: Just left #BIBA2012 - the best BIBA conference I've been to. Congratulations to the fab team at @BIBAbroker for a great seminar programme

@YutreeUW: Great conference and have spent two very worthwhile days in Manchester with insurers, clients and prospects #BIBA2012

@Nelse61: #BIBA2012 great night at the Comedy Store last night - ribs still aching!

@postAmy: Just on the train back to London from #BIBA2012 absolutely shattered but great conference!

@PostCallum: Big mobile internet developments in the years ahead, according to #BIBA2012 guest speaker (and inventor of the www) Sir Tim Berners-Lee

@littlemissneate: Had fun at #BIBA2012 and was amazing to hear Sir Tim Berners-Lee talking about the future of the web today. What a legend!

Advertising feature



APOLOGY

carroll
LONDON MARKETS

On 15th May 2012 we issued a Press Release headed 'Press Release: Roofers, Scaffolders and Demolition-Liability'.

The Press Release stated that the carrier had withdrawn support from the WW Group and CRK in respect of heavy contractors and suggested that clients might find themselves exposed to an account with WWG/CRK. The Press Release also said that the carrier had stopped inviting renewals and closed the door to new business. However, we would like to retract these statements, which are wholly incorrect, and apologise to the carrier, CRK and WWG.

While the carrier does not write schemes for Roofers or Scaffolders or for any brokers, they have not withdrawn support from CRK and WWG, who continue to transact business with it. CRK and WWG clients have not, therefore, been left exposed. Although WWG has not offered renewal on Demolition Risks through the carrier since late 2011, WWG is still offering renewal on Demolition Risks through other providers. The carrier has not otherwise closed the door to new business or stopped inviting renewals and it continues to write renewal and new business for WWG and CRK.

We have unreservedly apologised to the carrier, CRK and WWG for the publication of the Press Release.

Please destroy all electronic and hard copies of the Press Release.

REGIONAL DATES FOR YOUR DIARY

11 SEPT 2012

WEST OF ENGLAND –
GOLF DAY

13 SEPT 2012

YORKSHIRE & NORTHERN –
BREAKFAST FORUM

14 SEPT 2012

SOUTH EAST – ANNUAL
CHARITY DINNER

19 SEPT 2012

SOUTH EAST – TOP TABLE
LUNCH

26 SEPT 2012

CENTRAL – TOP TABLE
LUNCH

28 SEPT 2012

CENTRAL – BOWLING

2 OCT 2012

CENTRAL – CII GUIDED
TOUR

24 OCT 2012

YORKSHIRE & NORTHERN –
ONE DAY EVENT

26 OCT 2012

MERSEYSIDE & WEST
CHESHIRE ANNUAL DINNER

14 NOV 2012

SCOTLAND CONFERENCE



For more information, visit
www.biba.org.uk

Members meet with FCA's Martin Wheatley

BIBA recently hosted a member lunch with Martin Wheatley, the first CEO of the new regulator, the Financial Conduct Authority (FCA). The lunch provided both large and small members the opportunity to talk directly to the chief

of the new regulator and raise some of their key regulatory concerns with him.

BIBA hopes to maintain this high level dialogue and was pleased to host a lunch allowing members to hear first-hand from someone so influential.



READ MARTIN WHEATLEY'S ARTICLE:

Exclusively in The Broker, May 2012 at www.biba.org.uk

Broking stars named

Caroline Webster from Higos Insurance Services has been named the national BIBA Young Broker of the Year, and Dennis Veingard of Premiercare Insurance Brokers (UK) Ltd has received the Francis Perkins Award which recognises longstanding commitment to the Association.

Kelly Nadin of Bollington and Declan Shaw of R A Cowens were also named as national finalists in the young

broker award which recognises the performance of younger brokers and encourages commitment to the future professionalism of insurance broking.

BIBA Chief Executive, Eric Galbraith said: "It is a great pleasure to be able to recognise both future and experienced stars of insurance broking alongside each other. The winners represent two important groups of our sector who are instrumental in shaping our future."

Steps to success



Caroline was named winner of the Young Broker Award for:

- her outstanding achievement for Higos
- her passion for future growth
- her 'can do attitude'
- her key role in the company's expansion.



Dennis' commitments to the association includes:

- more than 40 years in industry
- 30 years as a BIBA member
- Involvement in various BIBA committees
- Dedication to the BIBA Central region.

Brokers have their say on BIBA's future

BIBA's biggest membership survey since 2006 has revealed that 95% of members are satisfied with BIBA and that regulation is the biggest issue facing brokers. The survey follows the

merger with the IIB and Eric Galbraith BIBA Chief Executive said that his challenge is now to move the 42% of satisfied members to join those 54% who are very or extremely satisfied.



SURVEY HIGHLIGHTS INFOGRAPHIC:

Available at www.biba.org.uk and inserted in this issue

Seen & heard

Head of Communications **LEIGHANN FORSYTH** outlines how BIBA has been promoting the value of brokers in the media

Too much partying can put a stop to cover

BIBA has worked closely with BBC Radio 1 to warn travellers that they could invalidate their insurance if they have an incident on holiday while under the influence of alcohol or non-prescription drugs when they come to make a claim.

BIBA's Head of Corporate Affairs, Graeme Trudgill reminded travellers of the importance of checking policy wordings and speaking to an

insurance broker to fully understand the policy cover and conditions. He said: "We believe that travellers will be surprised that there is such a variety of exclusions within policies and they need to understand what level of alcohol could invalidate a claim and if excessive, it almost certainly will."

The story led the news agenda on BBC Radio 1 and was played multiple times throughout the day helping customers, and raising the profile of brokers. It was also picked up by local BBC radio such as Cornwall and Foyle and was featured in the Daily Mail, the Daily Telegraph and on the BBC website.

sky NEWS

Sky News 2 May 2012

Graeme Trudgill live on Sky News talking about the impact of whiplash claims and called for change, ahead of a meeting with the government on the rising cost of motor insurance.



BBC

BBC Rip Off Britain 30 May 2012

Graeme Trudgill explains the rating factors that insurers use for unemployed motorists and homeowners.

PRESS WATCH

THE TIMES

Concerned by the cost of premiums? Speak to a broker that specialises in flood insurance cover. The British Insurance Brokers' Association has a useful find a broker tool, call 0870 950 1790 or visit biba.org.uk

The Times, Saturday 16 June 2012

Woman's Own

To find out how to get a black box, contact your insurance broker, or the British Insurance Brokers' Association on www.biba.org.uk

Woman's own, Monday 4 June 2012

Moneywise

I suggest you get a quote from a specialist broker. ... You can find a small business insurance broker at biba.org.uk

Moneywise, Tuesday 1 May 2012

The Mail

There are several specialist brokers that can provide policies for properties unoccupied. Use the British Insurance Brokers' Association Find a Broker service on 0870 950 1790 or www.biba.org.uk

Mail on Sunday, 27 May 2012

BBC

Now a deal has been done with an insurance broker to give younger motorists 15% off if they fit cameras in their cars. Graeme Trudgill says cameras would help stop so-called "crash for cash" claims.

BBC.co.uk, 25 May 2012

THE INDEPENDENT
ON SUNDAY

You can buy cover through an independent insurance broker, through the British Insurance Brokers' Association, who will assess whether it is the right product for your needs.

Independent on Sunday, 13 May 2012

The Mail

And for more difficult needs such as travel cover if you have an existing medical condition, it is always worth speaking to a specialist broker. Call the British Insurance Brokers' Association helpline on 0870 950 1790

Mail on Sunday, Sunday 13 May 2012

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Sign up to receive MIB's quarterly eNewsletter at **roadahead.mib.org.uk**

Don't miss the next issue as the Continuous Insurance Enforcement scheme reaches its one year anniversary

Also featuring guest contributions from key industry stakeholders and providing the latest updates from MIB - including Group News about ELTO support materials, IFB operations to tackle fraud and much more.

f Join the campaign against uninsured drivers

Encourage your policyholders to

 Like **Drive Insured**

 Follow us **@Stay_Insured**

New
industry
initiatives

Enforcement
activity to
reduce
uninsured
driving

Share your story ideas and contribute to
The Road Ahead by emailing
roadahead@mib.org.uk

MIB
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In terms of the volume of regulation and potential change, these are momentous times. **STEVE WHITE** looks at the hot regulatory topics that are poised to impact on brokers

In the fast lane



2012 continues apace – the Golden Jubilee is a tiny red, white and blue dot in the rear view mirror while the Olympic Games streaks past. On the regulatory front, we are speeding along as the issues keep coming.

BIBA is often asked how we keep in touch with members' views about regulatory matters. We do this in a number of ways but primarily via our regional compliance forums, listed on the right, and BIBA's Regulatory Working Party.

This group, made up of compliance and risk practitioners from among a cross-section of BIBA's membership, meets quarterly with the following terms of reference:

- To represent the membership on all matters relating to FSA regulation and compliance
- To act as a 'sounding board' between BIBA and our membership

- To identify areas of difficulty in rule compliance and to offer solutions
- To assist BIBA in formulating positions on regulatory issues within the industry and with the FSA.

During the summer, the working party will meet to discuss possible amendments to the text of the revised Insurance Mediation Directive in conjunction with the European Federation of Insurance Intermediaries (BIPAR) – an Olympic style feat if ever there was one.

Steve White is BIBA's Head of Compliance and Training

KEEP 'EM PEELED

These are the key regulatory issues brokers need to watch out for:

1

The July publication of the European Commission's proposals for revision of the **Insurance Mediation Directive (IMD)**. The text includes the introduction of commission disclosure upon request as the pan-European position, but proposes a change to mandatory disclosure five years after the Directive is finally published. The text will take time to work through the EU legislative process, with publication anticipated late 2013/early 2014. The proposed five year timetable for the introduction of mandatory disclosure would start from publication date. Member states would then have up to two years from publication to implement the Directive. BIBA will be working with members and BIPAR to propose amendments to the proposed text.

2

A consultation paper about changes to the **Client Money** regime along with near final rules is expected in September from the Financial Services Authority (FSA). Members will have three months in which to feedback their comments on the proposed changes many of which the FSA has already shared with them. A policy statement will follow six months thereafter at which time the new rules will come into effect. Any new rule involving likely system changes will have a transitional period, the length of which will be consulted upon.

3

The FSA consultation about the revision of the **Financial Services Compensation Scheme (FSCS) funding model**. The Consultation Paper (CP) was published late in July. BIBA is disappointed that the CP proposes a 50% increase on the financial cap on our sub-class and the creation of a 'retail pool'. We have engaged both lawyers and economists to build a robust case for a revised model that better separates 'insurance brokers' from more riskier elements within the scheme.

Upcoming Regional Compliance Forums:

1 & 8 August

YORKSHIRE & NORTHERN

12 September

MERSEYSIDE & WEST CHESHIRE

14 September

EAST MIDLANDS

21 September

SOUTH WALES

28 September

WEST OF ENGLAND

10 October

WEST MIDLANDS

11 October

SOUTH EAST AND CENTRAL

18 October

LONDON MARKET

23 October

GREATER MANCHESTER

25 October

SCOTLAND

26 October

NORTHERN IRELAND

7 & 14 November

YORKSHIRE & NORTHERN



Keep your eyes peeled for more information about events on your regional section's website.

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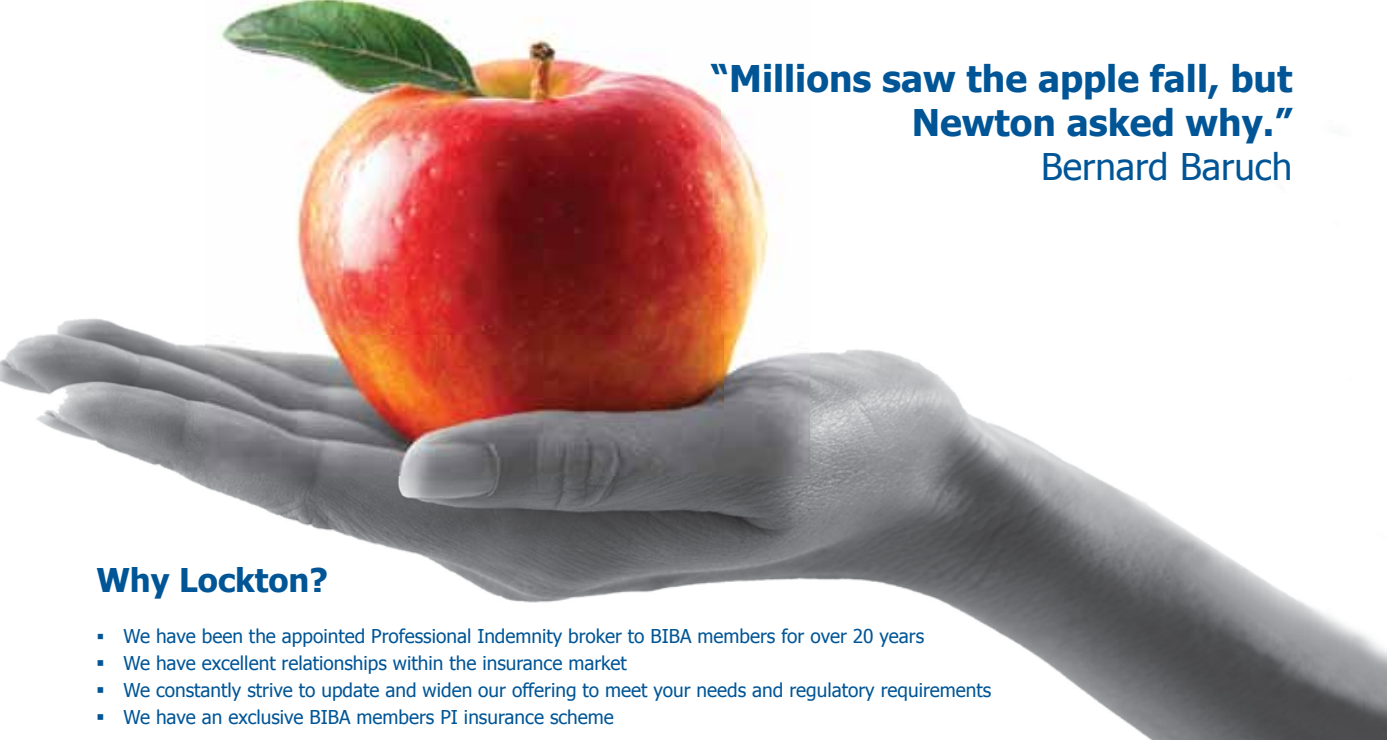
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Newton asked why."
Bernard Baruch**

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Ahead of the curve

Our team, along with specialists across all areas of the general insurance market, are committed to ensuring members are fully briefed on the most important issues which impact on brokers as **STEVE FOULSHAM** reports



Avoiding under-insurance

BIBA is working to help brokers raise awareness of the dangers of under-insurance, particularly among their SME customers.

Under-insurance has been an ongoing problem, but attracted attention – including from the government – following the summer riots of 2011. At worst, it became apparent some businesses had failed to buy insurance at all, while a considerable number of others were under-insured, especially when it came to business interruption insurance.

Although brokers may often be under pressure from clients to cut the cost of insurance for customers, not increase or even reduce sums insured or indemnity periods, this can be dangerous.

We are in talks with the ABI and CILA to produce guidance for brokers, which will help them advise clients about the need to buy sufficient BI cover.

Customers who discover they are under-insured may blame their broker – in fact, this is one of the most common reasons why brokers may face a claim under their PI policy.

We expect to produce a guide by the end of the year and we

will supplement this with further guidance through our PI Initiative. PI Book 6 will include information to support members on the risks associated with under-insurance and will also feature guidance to help protect against claims as a result of under-insurance.

Environmental liability – keeping you up to speed

All sorts of businesses could be liable for claims as a result of environmental regulations and we are producing an update for members in conjunction with the International Underwriting Association (IUA) and the ABI.

In 2010, we produced a guide for members with the ABI and IUA and this will now be supplemented by the end of the year. It will contain a number of common potential claim scenarios and help brokers assist their clients in ensuring they are protected.

Pollution claims can be substantial and if a company causes damage, for example to a river or wildlife habitat, clean-up and other remedial costs will be payable. Larger businesses with known exposures are likely to have specialist environmental cover in place, however many smaller ones will not.

The Environmental Liability Directive which is now in force relates environmental damage (to nature, water and soil) rather than traditional damages (such as bodily injury, property damage and financial losses).

Our aim is to help brokers know what cover is available under public liability insurance and where additional insurance needs to be purchased – some insurers now produce a number of extensions, while there are also specialist policies available.

Conference addresses healthcare challenges

This year's BIBA conference included a session on healthcare and the future role of private medical insurance.

Panellist Wayne Pontin, Chairman of the Association of Medical Insurance Intermediaries and Director with Jelf Employee Benefits, provided us with his thoughts on what the big issues facing this sector are.

He said: "The UK cannot afford to deliver healthcare in its present form because people are living longer and medical advances in treatment and drugs are exceptionally costly. This affects both private and public sectors and we could see a new breed of 'NHS top-up products' being launched by insurers.

"It is also clear that unless claims costs are addressed, PMI premiums are unsustainable."

Also on the agenda was whether the term 'private medical insurance' needs replacing. This was sparked by comments made by Julian Stainton, CEO of insurer WPA, who claimed it was not user friendly. Wayne agreed it is dated and believes a rebrand would be beneficial to improve marketing and customer awareness.

ASK STEVE: A KNOTTY PROBLEM

Q

Is infestation by Japanese Knotweed which is causing damage to property, covered by Property insurance policies?

A

This would be excluded under most policies as a gradually operating cause, and/or contamination. Japanese knotweed, if left uncontrolled, can quickly dominate gardens and spread into foundations and boundary walls as well as paving, driveways etc. The Environment Agency have issued a code of practice, www.environment-agency.gov.uk/static/documents/Leisure/Knotweed_CoP.pdf

Specialist contractors are required to remove it, who provide a 10 year insurance backed guarantee regarding the removal work.

Steve Foulsham is Head of Technical Services. He can be contacted at foulshams@biba.org.uk

Latest motor panel update

BIBA's motor panel has recently held its summer meeting and Chairman Allan Briscoe provides us with details on the key issues under discussion.

Backings more claims management regulation

Recent reports by the government and OFT highlighted issues and practices that are deemed to inflate the cost of claims and subsequent premium levels. While supporting the need to remove exaggerated costs from the system, we look to maintain service levels to genuine claimants and protect members' interests. We believe greater regulation of claims management companies will go a long way towards achieving this.

Combatting application fraud

Work is progressing to allow the industry access to the DVLA driving licence database at the time of quotation, seen as a key element in

eliminating application fraud. We have successfully ensured that brokers will not bear any of the system costs.

Comparison site guidelines

Our ongoing efforts to highlight shortcomings around product disclosure and cost transparency resulted in the FSA issuing practice guidelines for comparison websites in October 2011. This presents a much more level playing field for members.

Supporting telematics

An increasing number of insurance products based on the use of in-vehicle technology are being launched. Whilst these are aimed predominantly at young drivers at present, it is inevitable in our view that this type of product will become available across all age ranges. The benefits derived from improving driver behaviour and driving techniques are already recognised and go beyond just the cost of insurance.

Progress in the battle against uninsured drivers

Significant progress is being made in the fight against uninsured driving. There are still an estimated 1.2million uninsured vehicles on UK roads though, and we continue to work closely with Government, MIB and ABI on plans to further reduce this unacceptable number.



Allan Briscoe

A healthy focus: Industry experts discuss private medical insurance issues



HIGHLIGHTS OF #BIBA2012 TWEET FEED

@juliemwaters: At The Compliance Countdown Seminar #BIBA2012 presented by Steve White. Always worth listening to!

@DASLegal: Good debate about the future for #Greece at #BIBA2012 with @Dannythefink,

Shami Chakrabarti (@libertyhq), @andrewrainsley & @JulieMarieMeyer

@IM_Wiganer: fantastic few days networking at #BIBA2012 --- tired now but worth the effort. #biba2012 you've worn me out!

@RantRaveBIBA: Another great BIBA conference with really interesting seminars. Looking forward to #BIBA2013 already!

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Why brokers must rebuild 'Brand Britain'

Brokers now have opportunities to help the Government in its desire to promote British exports. Lord Green, Minister for Trade and Investment, sets out the important role they can play

This year the UK economy faces both great challenges and unparalleled opportunities. Achieving strong, sustainable and balanced growth is the key priority for the Government in which I serve as Minister for Trade and Investment.

To meet this ambition we are ensuring the competitiveness of our tax regime against international competitors, we are supporting entrepreneurs in both starting and growing their businesses and we are investing in the skills of the UK's workforce.

My role is to help UK firms export more of their goods and services and to attract vital new investment into our economy from overseas. The dynamism, creativity and productivity of the UK's entrepreneurs and labour force are what established our industrial strength and continue to be the foundation of our international success.

In Government, there is much

we can do and are doing to help businesses draw on these strengths, building on the trading links we already have and creating new links with both emerging economies and developed nations.

In recent weeks I have been to Turkey, China, Mexico, the Baltic States and Finland to promote UK businesses and make the case for our trading partners to do more business with us.

We want to attract an additional 100,000 small and medium-sized firms into international trade. There are world-class businesses out there in Britain who could be exporting more and others who could be spreading their wings for the first time.

This is truly a national challenge that cannot be done by Government alone. The trusted advisers and supporters of SMEs – insurers and the British Insurance Brokers' Association very much included – can encourage them to look at opportunities in emerging markets.

We are now offering more help to small businesses through an expansion of UK Export Finance's products to reach a wider range of exporters. Clearly, the role of brokers in helping businesses access these products and private sector forms of trade credit insurance is extremely important to help.

Experience tells us that Government support for businesses looking to expand overseas can make all the difference to a company sealing the deal. Our challenge is to provide practical assistance that supports them to further expand their global footprint and operate effectively in multiple markets.

We welcome approaches from British companies looking to enter new markets and our international team is always on the look out for foreign companies looking to partner with UK businesses.

We want Britain to again be known across the world for the innovation and creativity of the products we make and the services we provide. As part of that effort, I want the whole business community, from banks to accountants and insurers to legal firms and brokers, to help more firms take their goods and services overseas.

Around the world I see tremendous recognition for "brand Britain", and also a galaxy of opportunities for our SMEs to go to work in emerging and developed economies alike.

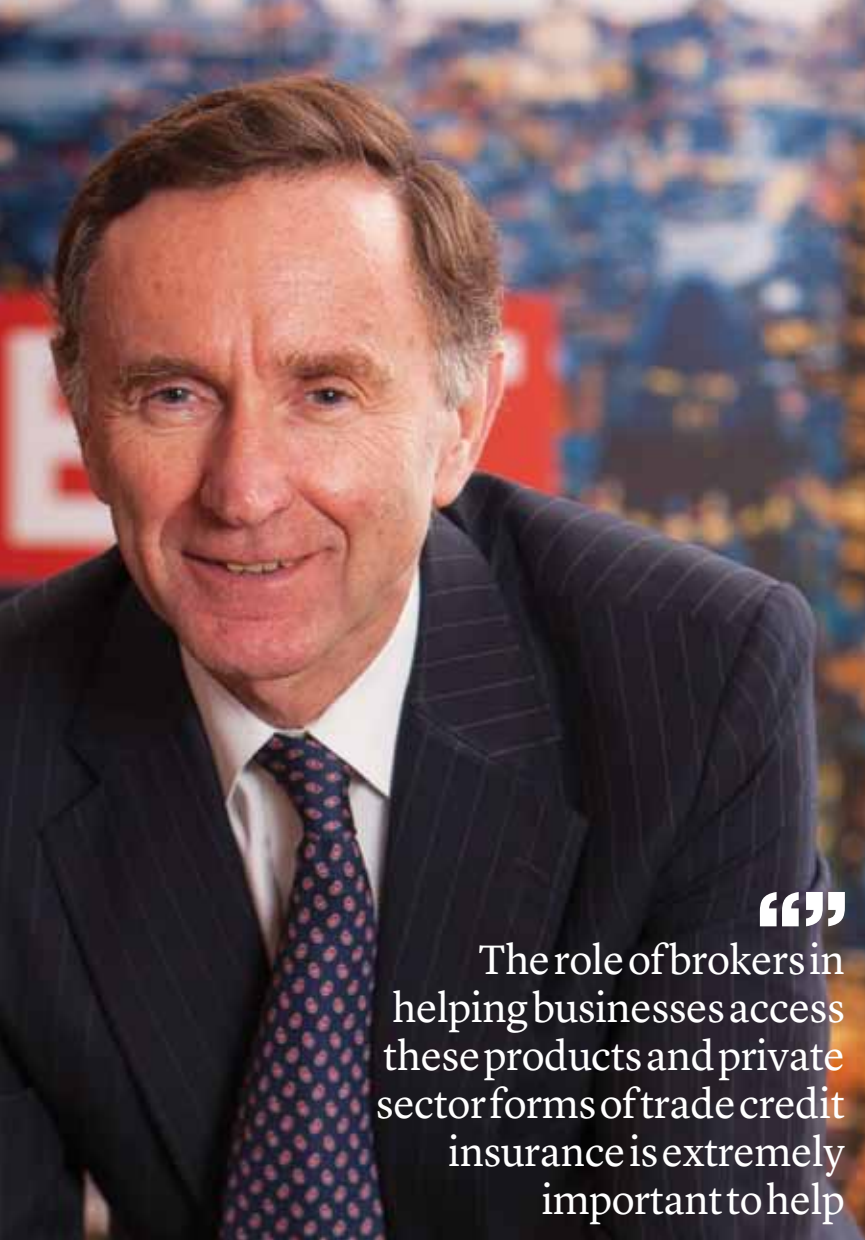
Many opportunities are already being taken. In India, for example, we expect the UK to earn hundreds of millions of pounds a year from banking and insurance in 2012. In Latin America, billions of pounds worth of infrastructure projects will

MEET LORD GREEN

Lord Green of Hurstpierpoint is Minister of State for Trade and Investment. He is taking up his appointment after a 28-year career with HSBC which culminated in his appointment as Group Chairman of HSBC Holdings in 2006.

He has been Chairman of the British Bankers' Association and Chairman of the Prime Minister's Business Council for Britain. He has also served as a trustee of The British Museum and an honorary trustee of Peking University.

He is responsible for the development and implementation of cross-Government strategy for trade and inward investment, UK Trade & Investment, Export Credits Guarantee Department, oversight of new Foreign & Commonwealth Office Commercial Director, and spokesman for the Government on trade and investment issues in the House of Lords.



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The role of brokers in helping businesses access these products and private sector forms of trade credit insurance is extremely important to help

be carried out in the coming years and we are working hard to make sure British companies are well represented in this work.

This year, in common with the global economy as a whole, we face challenges in realising our goal of a return to long-term sustainable growth. But in the UK we also have an opportunity that sets us apart, as the attention of the world is drawn to us as we host the Olympic and Paralympic Games.

The success of London in winning the right to host the Games offers us much more than just a great sporting spectacle on our own doorstep. This is a once in lifetime opportunity for British businesses to advertise themselves to the world, reaching new customers for their goods and services.

At UK Trade & Investment, we are hosting a programme of events in London and around the country to help our companies take advantage of this chance and deliver a lasting boost to their overseas trade. We

are transforming an iconic central London landmark, Lancaster House, into a British Business Embassy for the Games. We're staging 18 business summits there to celebrate UK business excellence in areas such as life sciences, energy, retail and the creative industries.

The events will bring 3,000 UK and foreign companies together to network and discuss new investment and export opportunities.

But we also want Britons around the UK to feel the benefits of the Olympic and Paralympic Games, which is why UKTI has also launched the free online British Business Club as the link to the wider global activity programme and future business opportunities.

2012 is an exciting year ripe with possibilities. The major events we are hosting this year are great for Britain – we want to make sure that they are great for British business too. Insurance brokers have a significant part to play as trusted advisers in their local communities.

UKTI FACTS

- 1 UK Trade & Investment is the Government Department that helps UK-based companies succeed in the global economy and assists overseas companies to bring their high-quality investment to the UK.
- 2 Our ambition is to double the UK's annual exports to £1 trillion by 2020. Last year saw exports rise by over 10%, and if we can maintain this pace then we'll be on track to achieve this.
- 3 UKTI helped some 24,400 UK-based companies last year and helped create or safeguard 94,598 jobs; of these nearly 50,000 were newly created jobs.
- 4 On average, companies helped by UKTI go on to win overseas sales of £100,000 within 18 months, and they do better than companies that don't take advice.
- 5 UKTI is refocusing the support it provides to businesses so that it can double the number of companies it helps each year to 50,000 by 2015.
- 6 90% of UKTI's customers are small and medium-sized firms.
- 7 UKTI has international trade experts in almost 100 markets that can help. They can provide tailored overseas market research, use of Embassy facilities and business opportunity alerts.
- 8 In 2010, UK exports totalled £441 billion while UK imports totalled £478 billion.
- 9 The UK was reconfirmed as the number one investment destination in Europe in 2011, attracting investment from a record 54 countries.
- 10 UKTI had significant involvement in a record 849 inward investment projects during 2010/11, a 12% increase on the previous year's figures.



Be part of the

Keith Stern is changing perceptions about what Lloyd's offers regional brokers. Rachel Gordon spoke to him about how this international marketplace can work equally well on a local level

VISION

Lloyd's was centre stage this May when Prime Minister David Cameron was guest of honour and spoke at the launch of a major new strategy, Vision 2025.

The event set out Lloyd's ambitious growth plans, particularly in emerging economies – but, is it a sign of growing focus on international business or does it have relevance for UK regional brokers who are solely interested in domestic markets?

Beyond this, there remains something of a knowledge gap. Many brokers have limited knowledge of Lloyd's and are unaware of its plans to work more closely with regional brokers and grow its presence in the UK SME insurance sector. There is confusion about Lloyd's and a number of myths need busting.

The man in charge of this is Lloyd's Regional Manager for the UK and Ireland, Keith Stern. He says established markets – and the UK is second only to the US in terms of its importance to Lloyd's – are going to remain vital, but that new fast growing countries must also be targeted.

“It's about being competitive and diversified. But, what is also at the heart of Vision 2025 is our commitment to brokers and that includes those who are focused on the UK.”

Keith has been in this role for two years and had spent the previous 10 working for Lloyd's in Australia as a country manager. Despite the beach and barbecue attractions of Australian life, Keith, who is British, says he welcomed the opportunity to return home although he knew this role would pose challenges.

“In the early to mid 90's, Lloyd's

had an active approach to raising awareness with provincial brokers. There were roadshows, visits and plenty of interest from syndicates and managing agents in meeting brokers. But, this tailed off and when I returned from Australia I knew a lot more needed to be done to build relationships.”

He explains that in terms of reaching out to the regions, there have been some “quick wins”. Keith made sure Lloyd's boosted its visibility and connections both through organising its own events and making sure it was seen and heard at all those which mattered.

Progress in online trading

“We needed to connect at a grass roots level. So, we've been working with BIBA and along with taking a stand at the most recent BIBA conference in Manchester, we held a fringe session on e-trading, led by Adam Stafford, our Head of Electronic Distribution, who is involved in a number of e-trading initiatives linked to growing our business.”

He says this will include more online SME trading and working with providers in developing SME products that can be sold via aggregators.

“We're not going for a ‘big bang’ approach, but we do need to reflect the way the market is moving.”

He continues: “Direct contact matters and we've also been working with AIRMIC, attending its most recent conference in Liverpool, where our Emerging Risks & Research Manager, Neil Smith, presented on reputational risk, an area that is of increasing concern for many businesses.”

What is more in the second half of 2012, Lloyd's will be supporting a number of regional broker events and in October, the Keychoice broker conference.

Those attending such events will include representatives from syndicates as well as coverholders, typically Managing General Agents (MGA) at Lloyd's. These have grown substantially in recent years and a considerable number are targeting regional brokers.

“A strong MGA sector gives us flexibility and along with syndicates which deal directly with brokers, we offer a broad range of commercial products.” He adds that it can be frustrating if brokers are unaware that relatively standard insurance is commonplace within Lloyd's.

Niche specialist

“We are a niche specialist, but there are plenty of smaller businesses that may have some non-standard insurance needs. Part of our strategy of being out in the market and talking to brokers has been to find out where they feel there may be gaps and how we can work with them. “For example, one area where we see potential for growth is in providing

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Many brokers have limited knowledge of Lloyd's and are unaware of its plans to work more closely with regional firms and grow its presence in the UK SME insurance sector

mergers and acquisitions cover – this could also be aimed at relatively small companies.

“We’re now seeing more syndicates at Lloyd’s wanting to write smaller and UK risks – it’s about having a good spread and ensuring there is sensible pricing. You won’t see us seeking to develop existing books of business in the standard motor market because currently it is widely loss making and overcrowded. But, recently we have written some new accounts in high performance vehicles and cherished cars and this has produced some strong results.”

He adds: “I am also determined that brokers should reconsider if they believe that we are only interested in international business, or that we’re more focused on complex run-offs than SME or that we only do quirky risks like insuring a top coffee taster’s tongue or footballers’ legs.”

The development of the MGA market has allowed mainstream cover to be made available to many regional brokers. But some have questioned whether there are too many providers and that they have contributed to the ongoing soft market. In the past two years almost 50 managing general agents based outside London have successfully applied to become Lloyd’s cover holders.

Keith comments: “We’re fully aware of potential problems, but at Lloyd’s we do not tolerate rates being driven down. Any Lloyd’s capacity provider writing new products in the SME market for example, would be closely monitored by our Performance Management team and corrective action would be taken if they were found to be acting irresponsibly in terms of underwriting disciplines.”

It is also now more straightforward

for brokers to become directly registered with Lloyd’s. “This is not going to suit all brokers, such as those who are not planning to place a significant amount of open market business – using a coverholder is likely to be more suitable for scheme business for instance.

Lloyd’s is now more accessible than ever before and I’m impressed by the quality of many of the brokers and coverholders who are applying for Lloyd’s status.

I’ll often do a site visit for prospective new coverholders – we do make checks of course as part of our due diligence, but this is not an audit, it’s a chance for us to meet the applicant and for them to gain insight into how Lloyd’s works.”

Committed to the UK

Looking ahead, Keith says while there is still some way to go, more brokers now have greater awareness about Lloyd’s and there is plenty of interest in discovering what is on offer. “We appreciate that as a marketplace, there are many syndicates and MGAs to discover but I’m extremely encouraged by the level of demand from regional brokers. The message is, international business matters, but we are also committed to the UK – and Lloyd’s is keen to ensure that we are well-positioned to keep pace with GDP growth, when it eventually picks up of course!

“There is a lot of pessimism around the UK economy, but while there is uncertainty, not least because of the ongoing Eurozone crisis, I see a place for optimism. There are some encouraging signs around if you look for them – and from my relatively short time in this role, I can see that brokers are actively seeking new opportunities.”

WHAT IS LLOYD’S VISION 2025?

CEO Richard Ward explains

In May, Lloyd’s Chairman John Nelson and I welcomed Prime Minister David Cameron to launch of our Vision 2025 – Lloyd’s strategy for international growth.

The Vision sets out the ambitious aim for Lloyd’s to be the global hub for specialist insurance and reinsurance by 2025, growing our footprint not only in high-growth emerging markets, but also in our established markets such as the USA and the UK.

The Vision is clear that Lloyd’s will continue to be a broker market. Our growth ambitions will be only achieved by working with brokers to make maximum use of their networks to attract high-quality international business into the Lloyd’s market.

- It’s the face-to-face discussions between underwriter and broker that enables Lloyd’s to offer bespoke insurance solutions.
- The key to writing more business lies in further developing the valued relationships we have with the broker community.
- Brokers have invested substantially in their distribution networks and we need to make maximum use of these networks to attract business into London.



MEET KEITH STERN



Keith was as an accountant before joining Lloyd’s over 20 years ago. He worked initially in the regulatory division and in the latter part of the 1990s worked for the International Department.

He returned to the UK in July 2010 after 10 years in Australia as Lloyd’s Country Manager in Sydney, Keith returned to the UK to take up a new position as Lloyd’s Regional Manager for the UK and Ireland. Keith is responsible for developing and implementing the country plan for the UK which will support the business development activities of Lloyd’s Managing Agents and brokers in London and assist them in developing the Lloyd’s brand in the UK regional market.

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* 100% of commercial customers had a claim settled were 100% satisfied with our knowledge, help, and professionalism and would consider renewing with us - Source 2011 Ecclesiastical Claims Satisfaction Survey. 100% of commercial customers are satisfied with the overall service provided by our survey team. Source 2011 Ecclesiastical Risk Services Opinion Survey.

**Of those brokers who named an insurer in the survey, the majority named Ecclesiastical as the best insurer for charity, heritage, care, education and faith insurance. Research carried out by FWD, an independent market research company.

Fees for *all?*

With commission disclosure set to become mandatory, brokers will need to look hard at the way they discuss payment with clients – so would it also make sense to switch to fees? **RACHEL GORDON** looks at the current landscape and asks if charging clients fees rather than relying on commission is the way forward

Many brokers are paid via commission arrangements with insurers – and the majority of their clients are unlikely to have a problem with this. But, whether the transaction is sufficiently transparent and the risk of potential conflicts of interest, is an issue high on the regulatory agenda – and significant change is now set to be introduced from Europe.

The FSA has had remuneration on its radar for several years and has now also been addressed following the review of the Insurance Mediation Directive (IMD2).

According to IMD2, brokers now face a five-year timetable to prepare for mandatory disclosure to clients. It means brokers will have to reveal to customers remuneration on a transaction by 2019. There is no talk of commission being outlawed – but brokers may feel a fees structure may be a more suitable mechanism for larger clients.

Meanwhile, one of BIBA's concerns is that there has been no corresponding requirement for insurers to disclose an appropriate equivalent when customers buy direct – BIBA will continue to lobby for a level playing field before the directive is adopted.

IMD2 has now entered the

European legislative process and is expected to be finalised and published in late 2013 or early 2014, with an implementation no later than two years after.

Change is coming

Clearly, even though it is some way off, mandatory disclosure is going to mean significant change for some brokers.

Steve White, BIBA's Head of Compliance and Training, says that whilst BIBA is disappointed that the text moves to mandatory disclosure, he welcomes the fact that there is a five year time frame from publication – but he also urges brokers to keep a close eye on what the regulators are saying, and emphasises that BIBA will continue to provide updates on its website.

"I don't see any immediate danger of all brokers being forced to switch to a fees model. Currently, commission continues to be permissible and indeed may make more sense where small premiums are involved. But, what matters with the regulator is transparency."

Clarity counts

Steve points out that brokers who charge fees already could still run into regulatory problems. "I am



speaking to more members who are looking at introducing fees on a wider basis than they do presently. I would emphasise a clear charging process is critical. Customers will want to know exactly what they are getting for their money. Articulation is the key word here, whether the broker is paid by commission or charges fees."

As shown on page 24, Timebox software is one of the ways brokers can produce the necessary information to show what work is being done on a client's account and how it is priced. Steve comments: "You need the right systems in place so that you can provide a full schedule of services. It is going to mean attention to detail and could also require a cultural shift in the way brokers work."

This is something broker Grant Scott, Distribution and Marketing Director with Cowens Survival



Capability, and a GIBC board member, agrees with.

His firm specialises in commercial insurance and has some 45 employees. It is paid by a mix of fees and commission but is pushing towards being fully remunerated by fees within the next few years. Grant says motivation came from a desire to achieve the highest levels of professionalism in addition to potential regulatory changes.

He comments: "The way we are paid is an important issue for all brokers. At Cowens, we charge fees but this is not the case with the smallest risks. But, I do feel it is important to be fee-based if you are dealing with larger commercial business and that it is part and parcel of being viewed as a professional, along with solicitors, surveyors and accountants.

For us, being a Chartered broker

made sense and it has brought us many benefits, in part through differentiation, but also in motivating our staff to do their best."

Under scrutiny

Cowens has been using Timebox for some 18 months and Grant points out that monitoring what employees do so that charging can be conveyed accurately needs to be managed carefully. "Employees can feel it is 'Big Brother', but, once they understand that we all need to be transparent, they do get used to it. At first though, some may worry you are using it as a means to cut jobs.

"You can also identify where there are gaps in knowledge – for example if it is taking someone too long to do a particular task. What is equally, if not more useful, is seeing which clients are profitable and which are not."

Grant says while he appreciates

“““

I don't see any immediate danger of all brokers being forced to switch to a fees model

Steve White, Head of Compliance & Training at BIBA

a ban on commission would exceptionally hard for some brokers to manage; he does want to see some of the rates currently being paid addressed. "If a broker is being paid 52% of every £100 paid, I can't see many clients finding this acceptable."

And, he adds that there are other ways in which brokers can be recognised. "It is also not all about commission. I went to a recent meeting with Axa to discuss how they planned to work with Chartered brokers and when the issue of broker benefits came up, development support was of most interest."

James Sharp, Director at TEn Insurance Services, agrees that high commission rates do need to be challenged more effectively, but says he believes fees would not make sense for small premium business.

"With risks from say £25,000 in premiums then yes, fees are the right way forward, but not if it is just a few hundred pounds. He says the fact that brokers need to renew each year acts as an effective check."

Some point to the Retail Distribution Review (RDR) and the IFA sector, where fees are being imposed from January 2013. But, for pure protection products such as life, critical illness or income



“““
I do feel it is important to be fee-based if you are dealing with larger commercial business and that it is part and parcel of being viewed as a professional, along with solicitors, surveyors and accountants

Grant Scott, Distribution & Marketing Director, Cowens Survival Capability

protection, commission will be allowed subject to proper disclosure.

James adds: “With a 25 year product and with some of the revenue being earned by IFAs on pensions and investments, then it makes sense for commission to be outlawed, but general insurance is very different.”

Commission cap?

However, he emphasises: “There are some huge commissions being paid to some of the consolidators and I think it is insurers fault for paying this – the industry needs to sort this out. My preference would be for a cap to be set.”

For those brokers planning to switch to fees, James says it is not a panacea for professionalism and it is not going to make a business which has poor practices perfect. “Brokers need to think hard about what they want to achieve and make sure they set fees at the right level, if I had any advice, it would be to ensure they see if they can do it gradually – and are not too cheap.”

The issue of contingent commissions has long been a thorny one, but there are plenty of brokers who still receive part of their remuneration via such deals. Steve comments: “Again, being absolutely clear on showing that you can manage a particular conflict is crucial. If a broker is asked to give a method of calculation or a value, they must be prepared to do this. We have provided guidance for members on our website, which I’d recommend members read.”

Meanwhile, James adds: “I think contingent commissions are again an issue primarily with the consolidators. Insurers also have

a role to play – back door deals have done the industry no favours. I am also not a fan of insurers owning MGAs and the conflict of interest this could pose.”

Accountability matters

Meanwhile, Steve concludes: “There are positive aspects in charging fees in that it shows the broker is acting independently and so suggests greater professionalism. But, it will be most readily accepted by larger clients and where there is a strong relationship. I’m aware of many commercial brokers who will be on site at 2 or 3 am if there is a sudden emergency such as a fire for example. They put the hours in and know they are going to be judged and have to be accountable.

“Overall, the message is that all customers have a right to a full and frank explanation of how the broker is remunerated. I think brokers are getting better at communicating this, but now is the time to look carefully at their processes, so that if they are subject to a regulatory challenge, they are ready for it.”

Time is money

Timebox is a client profitability solution for insurance brokers. It has been developed by Alpahtec Software, which is also active in the IFA market.

The main purpose of the application is understanding the profitability of fee-based income, but Timebox also allows users to quantify the profitability of their commission income; maximise the margin on both commission and fee-based work; understand the operational costs of servicing every

client; and, helps clients appreciate the work their broker is providing.

It allows brokers to identify what the broker’s internal costs are and allow them to identify efficiencies and inefficiencies in the practice and placement of work.

It is provided via the internet, which brokers can subscribe to and configure to their existing business reporting structure. Every office is able to access and use the system and all reporting is instant and up-to-date.

David Grier, Managing Director of Alpahtec Software, says: “We’ve seen a big increase in queries and indeed business in the last few months, linked both to the drive towards professionalism and regulation. Brokers must look at their efficiency – I am aware of many, for example, who do a lot of claims work for clients but don’t charge or it.”

As for staff concerns, he says: “Some employees may be exposed for taking liberties, and may stop their visits on a Friday afternoon to see a client – but ultimately, recording what you are doing is a good thing – for both the broker and their clients.”





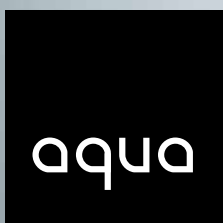
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A view from Westminster

It has been a rocky ride for the coalition government and the road ahead is not getting any easier says **BEN BARUCH**



As Westminster looks to its summer break and then the party conference season in September, many in the Coalition Government will be reflecting on a tumultuous start to 2012. With the economy returning to recession having shrunk by 0.3% in the first three months of the year, the Government's programme of austerity has faced growing criticism both inside and outside of the UK.

The Chancellor's Budget Statement in March was met with criticism for being out of touch with the burdens which the general public, in particular, are increasingly facing. Subsequently, the months since the Budget have been torrid for the Coalition. The Leveson Inquiry continues to unsettle the Conservative front benches as the full extent of the relationship between senior Conservatives and Rupert Murdoch's News International's abortive bid for BskyB becomes clearer.

Compounding Coalition discomfort, these own-goals took place against the backdrop of the local elections. Conservatives and the Liberal Democrats suffered heavier than expected losses while Labour

gained over 800 seats. The Coalition's localism agenda also suffered a blow with 11 English cities rejecting proposals to introduce directly elected mayors. This sets a worrying precedent for the Government in November when elections for Police and Crime Commissioners in England and Wales are scheduled to take place.

May also saw the second Queen's Speech since the General Election, detailing the Government's legislative agenda for the new Parliamentary term. This speech, in many ways, pleased no one; the Liberal Democrats were left disappointed by watered down proposals for House of Lords reform, whilst many Conservatives were unconvinced by the support being offered to small and medium sized businesses.

Eurozone in crisis

As the economy continues to falter and developments in the Eurozone look steadily more ominous, this increases the pressure on the leaders of both Coalition parties – from both backbench MPs and grassroots supporters – to demonstrate a renewed sense of energy and optimism. In

the short term, this will encourage both party leaders attempting to demonstrate their distinctiveness from their Coalition partners – ultimately further undermining its cohesion.

Already in the last six months, the right of the Conservative Party has become increasingly assertive on various issues – from Europe to onshore wind farms. Meanwhile, the Liberal Democrats will want to know what the party is intending to do to deliver House of Lords reform as well as ameliorating the pain of welfare cuts from April 2014.

For now, despite these pressures, the Coalition Government remains stable. However, the policymaking process has become more confrontational and divisive than perhaps we are normally used to in Westminster. To an extent, some of the issues we have seen are examples of a process that would otherwise go on behind the scenes being played out in public, as a result of the burdens of coalition. The wholesale leaking of nearly the entire Budget and Queen's Speech this year, although unprecedented, is an example of this. However, what was striking following



As the economy continues to falter and developments in the Eurozone look steadily more ominous, this increases the pressure on the leaders of both Coalition parties – from both backbench MPs and grassroots supporters – to demonstrate a renewed sense of energy and optimism

the Budget was the complete absence of a thorough communications strategy through which Osborne, in particular, could sell the more controversial aspects of the package, such as reforms to the VAT system, or the age-related allowances.

On the horizon, however, are two potentially huge ‘game changers’ which are going to put the ability of the Coalition to pull together for its own/the national good to the test. Firstly, the increasing possibility of a messy break-up of the Eurozone – or a wholesale reforming of the European project that freezes out the UK. Secondly, the Scottish independence referendum, which will cause enormous headaches in terms of strategic and constitutional planning.

Europe is a running sore in the side of the Government, with the coalition parties starting from very different places on their attitudes to the UK’s relationship with the EU. Events in the Eurozone, one way or another, seem certain to force massive structural change on the EU. This is inevitably going to force the coalition actively to agree a policy approach – or break up at, in the event of a messy disintegration of the Eurozone, the worst possible time. Given the events of the Major Premiership, it seems unlikely the public will reward a Government that is seen publicly to gaze at their navels while Europe burns.

The Scottish independence referendum in Autumn 2014 leaves the UK unionist parties with a significant challenge. Alex Salmond’s SNP is framing much of the independence campaign around cultural and patriotic sentiment as well as claiming

that Scotland is already its own “society and nation”.

While the Conservatives and the Liberal Democrats certainly have much to lose with Scottish independence, it would be particularly difficult for Labour, who hold 37 of 129 seats north of the border. However, the campaign itself represents a real opportunity for Miliband – if he can rise to the challenge.

SNP on a roll

As the only real challenger to the SNP in Scotland, Labour’s active and effective support will be crucial if the case for the union is to be made effectively. This offers Miliband the chance to make a statesmanlike, positive, case for the union. If successful, this could offer an effective springboard for the 2015 election. In the event that the case for the union is lost, he could still capitalise in 2015 by casting Cameron as the Prime Minister who oversaw the breakup of the union.

Meanwhile, 2014 looks set to be a promising year for the SNP. With historically low turnout expected they are likely to do well in the European elections in June; the 24th of June sees the 700th anniversary of the greatest medieval Scottish victory against the English at Bannockburn; and next summer sees the Glasgow Commonwealth Games, which will very much be presented to the world as a ‘Scottish Games’. Together, the SNP will use these events to showcase the SNP’s governmental competence and electoral strength, together with independence’s historic resonance.

Despite this, in recent months the SNP has faced growing questions over

any future fiscal autonomy, having stated that an independent Scotland would retain sterling rather than (as previously pledged) join the Euro. For now the SNP appear to be relying on unrealistic expectations of support from the residual UK in assuming that Scotland could enter a monetary-but-not-fiscal union. Crucially, the Bank of England would remain the lender of last resort to Scotland’s financial sector, even though the Bank is yet to make any such pledge.

In summary, both the Eurozone and Scotland offer Labour an opportunity to raise their game. The Coalition parties are unlikely to weather these issues well in Government if they look disunited. Therefore their performance is likely to determine the duration of the coalition and the political fate of both parties at the next General Election.

Ben Baruch is a Senior Account Executive, Public Affairs and Corporate Communications with Fleishman Hillard, which provides political insight for BIBA’s lobbying work

2012 POLITICAL TALKING POINTS

- Since 2010 there have been rebellions by coalition politicians in 44% of votes
- The largest backbench rebellion of this government came in July 2012 when 91 conservative backbenchers defied David Cameron to vote against proposals in favour of House of Lords reform
- The 2010-12 parliamentary session was relatively unproductive in legislative terms, with on average less than 25 acts passed per year. This was the lowest annual rate for any session in the more than fifteen years
- This year’s local elections saw the Lib Dems councillor base fall below 3,000 for the first time since the party was formed in 1988
- On May 3rd 2012 11 referendums were held across English towns and cities to decide whether to introduce directly elected mayors with only two voting in favour of the proposals (and one of those towns was voting on whether to retain their directly-elected mayor.)

KEY MEETINGS: BIBA has met with the following:

- | | |
|--|---|
| • Sajid Javid MP, PPS to George Osborne MP | • Simon Cawte, Special Adviser to Environment, Food and Rural Affairs |
| • Lord Green (see page 16) | Secretary Caroline Spelman |
| • Kay Blair from the Financial Services Consumer Panel | • John Woodcock MP |
| • Anne McIntosh MP | • Heather Wheeler MP |
| • Conor Burns MP | • Andrew Tyrie MP |
| • Richard Benyon MP | • John Woodcock MP |
| • Thomas Docherty MP | • Mark Simmonds MP |
| • Jim Dobbin MP | • Alun Cairns MP |

In a league of their own

We're determined that any product under the BIBA brand is best in class –
STEVE FOULSHAM reports on the latest enhancements to our portfolio



Aqua makes waves in the mid and high net market

The UK's high net worth (HNW) sector is healthy but it is not all about large houses and art collections. There are a wide variety of policyholders with potentially above average property rebuild costs and contents replacement values who could benefit from cover that truly reflects their needs.

Aqueduct Underwriting Limited (Aqua) has an innovative approach and efficient service, which is already impressing brokers with over 3,000 policies issued and, a successful first trading year. This has been topped off by Aqua's appointment as BIBA's HNW scheme provider in February 2012.

Aqua provides a comprehensive and flexible service offering three different policies providing varying levels of cover at commensurate

prices; all brokers will find a policy that fits their clients' demands and needs. Aqua will equally write business at relatively modest levels or larger risks with premiums in excess of £3,000.

Whether it is celebrities, footballers, listed properties or disproportionate sums insured, Aqua's philosophy is to offer a quote wherever possible, even if it means applying restrictions, rather than offer nothing.

Aqua does not insist on a minimum level of support; there are a few qualifying criteria: minimum premium of £750 and general contents sum insured of £50,000.

They will gladly open a new agency for any BIBA member to accommodate a single policy and there are deals for high volume

business.

Quotations are turned around quickly. Simply email a risk submission to Aqua at quote@aquaunderwriting.com or complete the online submission at www.aquaunderwriting.com/quote.html. Aqua aims to provide a quote the same day for submissions received before 3pm. Submissions are dealt with by an experienced



Schemes in brief

Extra help with trade credit

Due to the economic uncertainty, there is substantial demand for businesses to manage their risk exposure. BIBA Credit Management and Bonds Scheme is an exclusive scheme for BIBA members, providing affordable cover at a time when capacity is still limited on the open market.

To mark the anniversary of the scheme, a new Broker Support area was launched. This features a selection of different tools, offering additional support to assist BIBA members in better promoting the products and services of the scheme with their clients.

- Further information: www.biba-credit-and-bonds.com

Private health cover is a reassuring cushion

Many people would like to choose how, when and where they get medical treatment as an individual. And, with recent NHS reforms, private medical insurance (PMI) has become a hot topic of discussion. Clients may well wish to speak to someone about cover and if a broker does not have a solution available, they may have to look elsewhere.

The BIBA scheme, My Wellbeing, which is provided in conjunction with PMI specialist Jelf, is bespoke and unique to the market. It offers a comprehensive range of benefits that are tailored to the individual. It gives peace of mind that should they need to use it they know they have fast

access to suitable cover and treatment.

The scheme gives additional commission for all new business and renewals through Jelf.

- Further information: tiny.cc/05qncw or contact Katie Cook on 0800 116 4512 or katie.cook@jelfgroup.com

Excess liability options for SMEs

CNA is reminding brokers that it offers affordable excess public and products liability insurance for small to medium sized businesses. Benefits include:

- Quote and bind cover online for over 1,600 businesses in minutes
- Competitive premiums and commission rates of 25%



underwriter who will be happy to discuss any issue.

To find out more about a TOBA please contact Stuart Backhouse, Aqua's Operations Director on 020 7397 4453 or email sbackhouse@aquaunderwriting.com

Steve Foulsham is BIBA's Head of Technical Services

MEMBER CASE STUDY



Taking Anti-Money Laundering (AML) seriously – Lloyd & Whyte

BIBA has joined forces with SanctionsSearch to provide brokers with a straightforward and affordable way to meet the regulator's anti-money laundering obligations.

Brokers are required under the Proceeds of Crime Act to ensure that clients they do business with are not on the sanctions list. Undertaking a manual search is inadequate as it leaves no audit trail.

However, this can be provided by using SanctionsSearch, which maintains a permanent record of all clients searched against the list from HM Treasury, which is subject to regular updates.

BIBA member Lloyd & Whyte has been piloting SanctionsSearch for several months and the broker's Group Compliance Manager Julie Passmore says the system will be retained as part of its work to prevent financial crime.

She comments: "We're an affinity specialist and deal with a wide range of clients all over the UK and it's impossible to know all your clients. SanctionsSearch is easy to use and also affordable. There are some systems in the market that we investigated that are beyond the remit of most brokers. What matters though is that financial crime and money laundering are taken seriously. Brokers should not bury their heads in the sand."

Julie continues: "At Lloyd & Whyte, we also have a financial services business and this has helped us understand what our obligations are, as the regulations are more stringent. But, I think with a new regulator coming on board, we can expect to see measures against financial crime being checked more for those in general insurance."

"It would not surprise me if when questioned at an ARROW visit about their knowledge and preventative work against financial crime that they would answer 'nothing'. If you don't have procedures in place, now is the time to sort them out."

She adds: "We wanted a solution which was good value – and this is the case with SanctionsSearch, there are some others out there which are beyond the remit of most brokers. I also found the company very helpful when it came to ensuring our data was loaded in bulk so that we were able to start running these essential checks."

Julie also regularly attends BIBA's Compliance Forums in the West of England. "Being responsible for compliance can be a lonely world. The forums are the ideal way to share advice and support other brokers in a non-competitive environment."

- See page 11 for more information on our Compliance Forums

- Coverage of USA and Canada exports
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- All major insurers' wordings accepted
- Excess employers' liability cover available offline for up to a £20 million limit of indemnity following referral to a CNA underwriter
- Access to a team of experienced underwriters and a guaranteed same day turnaround on referrals
- Coverage of annual periods or long and short period contracts if the higher level of cover is only required for a specific contract
- Available 24/7
- Further information: 08000282501 or cnaexcesssupport@cnaeurop.com

Gain access to cyber solutions

Media and technology are revolutionising the way we communicate and changing the way businesses operate and grow. This is giving rise to a changing legal landscape which can be difficult to navigate and new risks that are not covered by traditional policies.

CFC's Esurance CPM is specifically designed to cover these new risks. It includes crucial cover for cloud data storage, intellectual property rights infringement, user generated content, online and offline data breaches, defamation, business systems interruption arising from the use of email, internet and social media, and much more.

- Further information visit www.cfcunderwriting.com

Extension of premium finance arrangement

BIBA has renewed its premium finance facility with premium credit for a further three years – an endorsement which has been in existence for over 10 years.

Members will continue to enjoy the benefits of preferential terms, competitive rates and online services, which include the My Premium Credit customer portal.

- For further information email marketing@pcl.co.uk, call 0844 736 9836 or visit www.premium-credit.co.uk/associations.html

Never presume anything

A broker's duty of care remains, irrespective of the cost of delivery. **GRAEME TRUDGILL** examines a recent case which has important implications for brokers



A judge in the Royal Courts of Jersey has awarded damages of £528,000 (exclusive of costs) against a leading insurance broker and has criticised its quote-engine sales process as being "more in the interests of the broker than in the interests of the policyholder."

Following closely the reasoning of Mr Justice Steel in the Environcom case in 2010, in *Café de Lecq Limited -v- R.A. Rossborough (Insurance Brokers) Limited* the court found the broker had negligently failed to draw its client's attention to the terms of, and the consequences of not complying with, a key warranty.

The claim concerned a fire at the Jersey beach Café de Lecq, caused by an overheating deep fat fryer, which resulted in the cafe being totally destroyed. The policy contained a warranty that stipulated that the fryer must be fitted with a thermostat with an automatic cut-out in the event of overheating.

Breach of warranty

The fryer was not so fitted and so insurer Axa rejected the claim for breach of the warranty. Following this, the claimant sued its broker for loss

of cover by not making it aware of the requirements of the warranty and the consequences of not complying with it.

Rossborough defended the claim on the basis that the person they dealt with was an experienced insurance buyer and in correspondence with him Rossborough made it clear that he had to read the accompanying policy documents where he could have seen the warranty.

The court rejected their plea and the judge said: "...simply telling a client 'here is the policy documentation: be sure to read it and check that it meets your requirements' is not good enough, irrespective of the client's experience in insurance matters."

This case brought to the attention of the court that: "The process for selling package policies is driven by considerations of speed and economy which may have advantages for all concerned; it may also entail significant risks for the client as was found to be the case here.

(It) is designed to minimise the time and effort that the broker has to spend on the matter and to transfer responsibility for getting things right to the client, thereby draining the broker's

role of much of its *raison d'être*."

The judge went on to say: "... (the automated process) is liable to foster a situation in which the broker becomes more closely allied with the insurer whose policy documentation he is generating than is healthy, to the detriment of the client whose interest he is supposed to be looking after."

What is the implication for brokers?

Alan Eyre, Managing Director of Towergate Professions, comments: "This case illustrates that the Courts have little sympathy for brokers defending their failure to alert lay clients to key aspects of policies by reference to the client's level of experience and some of the risks associated with using quote engines."

Meanwhile Neville Miles, Partner at Lockton, observes: "Brokers who rely too heavily on automated selling processes risk being judged to have failed to exercise reasonable care and skill in dealing with their clients and risk being found to have been negligent.

Mike Eld, Client Relationship Manager, Howdens says: "There is little doubt, following Environcom and now Café de Lecq, that the courts are regarding insurance brokers as more than just transactional sellers of a commodity."

Roger Flaxman from Flaxman Partners, concluded: "This case shows that brokers cannot plead that they cannot afford to properly advise their clients; this clearly includes taking reasonable steps to ensure that onerous aspects of policies sold to clients are drawn to their attention."

BIBA's accredited PI brokers



Neville Miles, Lockton



Mike Eld, Howden



Alan Eyre, Towergate

Graeme Trudgill is BIBA's Head of Corporate Affairs

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