

Issue 4
November 2012

THE Broker

The British Insurance Brokers' Association

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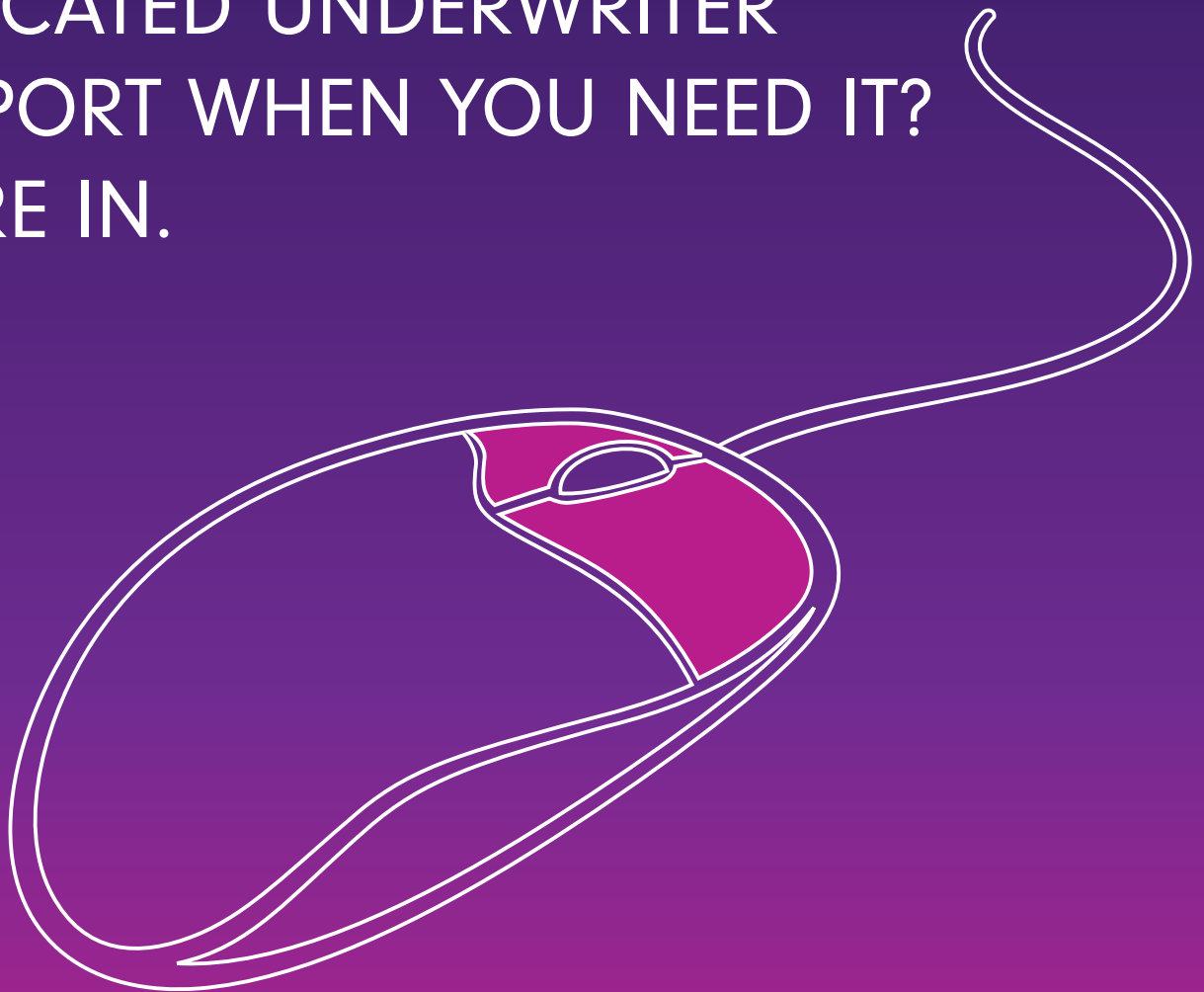
**BIBA
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Piecing our future together

Andy Homer tells us why the strategic review matters... and why we need your input



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Welcome

It's important for all businesses to focus on the future and stay one step ahead, including for us a trade association. This is why we are working on a major strategic review which is all about making sure we are as influential, relevant and powerful as possible. Chairman Andy Homer is heavily involved in this and he explains more on page 20.

Because our role is to represent brokers, we want to do this effectively in the media as well. On that note, I'd like to thank all the members who responded to our recent PR survey, which we will use to promote brokers. We've had plenty of positive coverage of late and your help has been invaluable.

Leighann Forsyth
Editor



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BIBA's strategic review

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Market report – broker question time

Six members from businesses large and small, and specialising in different market sectors, answer topical questions set by Chief Executive, Eric Galbraith.

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Employment

The number of young unemployed in the UK is reaching alarming proportions. But, brokers may be able to provide part of the solution – find out how to boost recruitment with incentives from the Youth Contract.

20

COVER STORY Piecing our future together

The Strategic Review is one of the most important projects we have ever worked on. BIBA must perform at the highest levels, create optimum value for its members and achieve the right results. Andy Homer explains where we are and why we need your input.

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Manifesto 2012

At the start of each year, we spell out our priorities for members and consumers. Graeme Trudgill provides an end of year report and looks forward to 2013.

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CEO update

As you will have seen from the recent announcement I have decided to stand down as Chief Executive of BIBA in 2013. At that time I will have completed almost 10 years with BIBA. Having been instrumental in pushing for a strategic review I believe it's the right time to step aside and let my replacement take this forward. The BIBA team is very busy with numerous issues that affect members and it will be business as usual, as we work towards a smooth transition to the new Chief Executive in 2013. And talk of business as usual, as ever, regulation continues to be our number one priority but there are also many other matters impacting our sector that are on our agenda.

I'm also looking forward to meeting as many members as possible, both at the Scottish one day conference and at a series of breakfast briefings, that we're holding in the coming months across the UK. The aim of these is to bring you up to date on the work we do on your behalf, to find out your views and ensure we work effectively together. Please come and see us – there is no substitute for catching up face to face.



Eric Galbraith, BIBA Chief Executive



THE BIG ISSUES

1

FSCS

This remains one of our biggest concerns. While we welcome the FSA's review, the suggested revised structure is flawed. We are unhappy that the financial cap on the intermediary pot has been increased meaning that brokers' fees could potentially increase even further in the future. We also are going to fight the alternative cross subsidy proposal that detaches providers from distributors. We disagree with this and have our lawyers and consultants working with us on responding to these issues and building an alternative fairer structure for brokers.

2

IMD 2

In Europe politicians are in favour of a level playing field, which we fully support. This will have to lead to a levelling of the playing field with regard to the disclosure of remuneration, which will be fundamentally important to prevent market distortion in the larger western European insurance markets. Disclosure must also apply equally to insurers and we will continue lobbying directly with MEPs and through BIPAR.

3

BIBA'S STRATEGIC REVIEW

The Deloitte's report has now been submitted to the BIBA Board and Andy's article in this issue outlines the main areas we will be addressing. Members will be consulted at each stage of the review.

4

NEW REGULATOR

We have submitted some probing amendments to try to ensure that the Financial Services Bill includes some downward pressure on the costs of regulation and to ensure that there is provision to enable the UK to remain competitive when it comes to regulation. We also look forward to an open and healthy dialogue with new Chief Executive Martin Wheatley and his team to ensure fair treatment of consumers and in making sure they understand the role of BIBA members.

5

MANIFESTO

This remains our key calling card for lobbying issues for the year – and you can read an update on page 28 of this issue. We are now consulting with members via our committees to develop the 2013 Manifesto. Please get in touch with any issues that you want us to take forward – and while regulation remains key, we'll also be focused on plenty of other business and consumer issues and ways in which we can promote the work of brokers.

Highland gathering: Airth Castle is the setting for this year's north of the border conference



BIBA Scotland promises to be unmissable



This year's BIBA Scotland conference, *Insuring the Future*, will be returning to the Airth Castle Hotel in Stirlingshire on November 14 and once again a great day's networking is in prospect. Some 28 exhibitors will be on hand to talk about doing business in Scotland and this year there will be at least 11 insurers new to the event looking forward to meeting members.

The conference programme has been finalised, with the emphasis on making the sessions focused on what brokers need to help them survive and thrive in difficult trading conditions. A mix of technical insurance subjects are interspersed with best business practice sessions and will make for a varied and rewarding agenda.

BIBA's Head of Compliance and Training, Steve White, and Head of Corporate Affairs, Graeme Trudgill, will be on hand to update members on BIBA's lobbying work on regulation and on the 2012 Manifesto.

Head of Communications, Leighann Forsyth, will introduce a session on social media, explaining how all brokers can create and maintain effective digital marketing campaigns. Run in conjunction with digital marketing agency Pancertric, this session will be a must for anyone thinking of venturing into this new medium for the first time or for those

wanting to strengthen their existing programmes.

Both Leighann and Pancertric's Head of Social Media, Dan Spicer, will be available during the day should brokers want to talk in more detail about the topic.

There will also be a debate with a distinguished panel of industry leaders, including BIBA's Deputy Chairman, Brendan McManus, Allianz Commercial's General Manager, Chris Hanks, and John Nicholson, Risk and Governance Director, from Marsh. The 'Insuring the Future' debate will be chaired by BIBA's Chief Executive, Eric Galbraith.

Other subjects include business interruption – what brokers need to know; a session on professional indemnity by the leading expert witnesses Tom McGrath and Chris Parsons and a session on BIBA's credit management scheme.

Bringing the day to a close, Ellis Watson, Chief Executive Officer of one of Scotland's leading publishing houses, DC Thomson, will look at what skill sets managers need to develop to succeed in a recession.

The day begins at 08.45 for coffee. Tickets are priced at £50 plus VAT and include lunch and all refreshments. For the full agenda, exhibitor list and to register for a place, please visit www.campaignpartners.co.uk/bibascotland

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16 NOV 2012

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30 NOV 2012

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21 FEB 2013

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19 APR 2013

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www.biba.org.uk

Trade credit reception highlights sector potential

A number of members attended a BIBA trade credit reception at the Foreign and Commonwealth Office recently, hosted by Lord Green, Minister for Trade and Investment and Patrick Crawford CEO of UK Export Finance.

Addressing the audience, members were told that they would receive increased commission levels from 10 per cent to up to 15 per cent when they place trade credit insurance through the UK Export Finance initiative, with immediate effect.

Lord Green underlined the importance of driving British exports through broker involvement and the government backed trade credit facility. He also announced that a number of regional advisers have been appointed to ensure that support is provided to exporters and businesses on a local level. BIBA is ensuring that its regional executives co-ordinate with the business advisers to ensure consistency of message, access to information and targeted support.

Steve Foulsham, BIBA's Head of Technical Services, said: "BIBA welcomes this initiative which enables members to find trade credit protection for their SME clients looking to



In agreement: Eric and Lord Green

export into emerging markets where traditional trade credit insurers cannot always help."

Chief Executive Eric Galbraith, added: "The increased commission level is a positive step forward. Other areas of equal importance that are being addressed are around clarity and simplification of the policy wording and application pack. Last night's event is clear evidence of the energy that is gained by working together and we are looking forward to building on that momentum."



INTERESTED IN SIGNING UP TO THE INITIATIVE?

Brokers can contact Steve Foulsham at foulshams@biba.org.uk

NEWS IN BRIEF

BIBA heads to Downing St

The BIBA team is set to meet with the Prime Minister's Business Adviser and raise broker issues including regulation costs and changes.

Flood guide launched

DEFRA has launched a customer guide to accessing flood insurance in conjunction with BIBA. This includes how customers can access cover through a BIBA member.

Lobbying for IMD2 fairness

BIBA is lobbying in Brussels on the revisions to the Insurance Mediation Directive. Meetings have been held with the UK permanent representative and MEP briefings are planned.

Dummies Guide to Business Continuity

BIBA has authored the insurance chapter of the Cabinet Office's *Dummies Guide to Business Continuity*. The insurance chapter is going to be reproduced and a white labelled version will be available for members to distribute to their customers.



New Deputy Chairman

Brendan McManus, Chief Executive at Giles Insurance Brokers, has been appointed as BIBA's Deputy Chairman following a unanimous decision by the board. In addition Kevin Hancock from Yutree Insurance was appointed to the Board, at this year's AGM.

CELEBRATING AWARDS SUCCESS

BIBA's achievements have been recognised recently with a number of prestigious awards.

Chief Executive Eric Galbraith picked up the Achievement Award at the UK Broking Awards (below left) and Head of Corporate Affairs Graeme Trudgill won the Individual Contribution Award at the Trade Association Forum's (TAF) Best Practice Awards (below right).

Special commendations were also received from TAF in the Publication of the Year and Sector Representation Awards. The judges said that BIBA deserved a commendation for its tremendous efforts with the Financial Services Compensation Scheme.



Don't miss the next issue

Guest contributions from key Motor Insurance Database (MID) stakeholders and special features about the industry's fight against fraud.

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MIB
Motor Insurers' Bureau

Boxing clever on the Beeb

The search to find young drivers affordable motor cover is a hot topic and BIBA has been talking telematics says Head of Communications, **LEIGHANN FORSYTH**

BIBA's research demonstrating black box motor insurance sales have increased five fold in two years, landed us a spot on prime time BBC *Breakfast* television.

The research showed that telematics can offer savings on motor insurance of around 25% to 30% and some young drivers can save up to £1,000. The dramatic take

up follows the rising cost of premiums for young drivers, the decreasing cost of technology, and new product availability from brokers.

After leading the BBC's *Breakfast* news, the research also received coverage on BBC Radio 4, the *Daily Mirror*, *Daily Express* and *The Independent*.



Moving into the mainstream: Graeme Trudgill explains the role of black box technology from brokers to the BBC's Stephanie McGovern

PRESS WATCH

THE SUNDAY TIMES

BIBA explained we have 110 specialist flood insurance brokers among our members that are able to offer cover for the most high-risk cases (0870 950 1790 or biba.org.uk).

The Sunday Times, 15 July 2012

FHM

It's become a key way for younger drivers to cut the cost of insurance – BIBA predicts there'll be up to 700,000 black boxes in the UK in the next couple of years.

FHM, 5 October 2012

The Mail

A typical home insurance policy would provide about £2million public liability cover as standard. This is designed to respond to a claim where you are legally liable as a result of you owning the land or property.

The Mail on Sunday, 9 September 2012

The Daily Telegraph

"You may check the box for a £100 voluntary excess, but when the quote appears on the next screen they may be based on a £500 excess," said BIBA's Graeme Trudgill. Often customers don't realise this; the first they know is when they have a problem making a claim.

The Daily Telegraph, 15 September 2012



Daily Mirror, 18 July 2012

QI'M looking to buy a house that previously had subsidence and am concerned about finding insurance for it.

ACOVER is available for properties that have suffered subsidence in the past or have been underpinned. Speak to the existing insurer or contact a specialist broker via BIBA on 0870 950 1790 or their website, www.biba.org.uk



The Sun, 1 July 2012

WATCH YOUR HOLIDAY BOOZING

HOLIDAYMAKERS could find themselves without cover if they have an accident while drinking.

Travellers are being warned they could invalidate their insurance if they've been boozing or using drugs, according to the British Insurance Brokers Association.

In a survey of 20 of the UK's most widely held policies, it found all of them have some form of alcohol and drugs exclusion – and that insurers

are imposing far stricter terms and conditions. While insurers have always had a standard exclusion that they won't pay claims arising from "excessive alcohol consumption", the exclusions have been strengthened in recent years – and the wording varies dramatically. Graeme Trudgill from Biba says: "Travellers may be surprised at the different attitudes taken by insurers.

"You need to understand what level of alcohol could

invalidate a claim." When heading overseas, the key is to take reasonable care and not take unnecessary risks.

Jeremy Cryer, from price comparison service Gocompare.com, says: "Insurers expect holidaymakers to enjoy a few drinks. But those who take it to extremes may find that, if they subsequently have to make a claim for something that happened while they were intoxicated, the insurer could refuse to pay out."



BBC

Radio 4 *Money Box* 12 September 2012

BIBA promoted brokers on BBC Radio 4's *Money Box* consumer phone-in. Answering listeners' questions on insurance, Graeme Trudgill, BIBA's Head of Corporate Affairs highlighted how brokers could help provide suitable insurance protection.

STEVE WHITE provides an update on key compliance issues, which have been coming thick and fast in recent times

Full steam ahead



The nights are closing in and there is a distinct chill in the air. Still, all our regulatory activity at BIBA is keeping us warm. The Insurance Mediation Directive, client money, the journey to the Financial Conduct Authority and changes to European data protection are just a few of the areas occupying us in the run up to Christmas.

August saw our Regulatory Working Party meet to discuss the amendments to the text of the revised Insurance Mediation

Directive in conjunction with BIPAR (the European Federation of Insurance Intermediaries). I've also been over to Brussels and Hamburg to continue those dialogues with BIPAR, which has now submitted a position paper on this.

A first exchange of views between the European Parliament and the European Council on the IMD2 proposals is set for 15 October 2013. Now BIBA will step up lobbying at home and in Brussels so as to influence this process.

TOBAs – we need your views

We were disappointed that the FSA's lawyers have been unable to find a way of mandating a prescribed set of words for inclusion in TOBAs as hoped. A subsequent conversation with the FSA's policy team revealed that the regulator's legal department felt that prescribing an exact string of words would be difficult.

Nevertheless the regulator has said that they will be willing to look again if we apply pressure through our responses. Do please let me have your views on this, would you prefer a prescribed outcome on this? In the meantime BIBA will continue its one-to-one discussions with insurers to try to establish appetite for unconditional risk transfer and pooled banking arrangements for risk transferred monies.

Steve White is BIBA's Head of Compliance and Training

KEEP 'EM PEELED

Some of the regulatory issues to watch out for:

1

'Legal cutover' – the term the FSA has given to the time when the Financial Conduct Authority and the Prudential Regulation Authority acquire their legal powers. The term gets an airing in Consultation Paper 12/24 which consults on certain proposed changes to existing regulatory rules and guidance in the FSA Handbook following the introduction of the Financial Services Bill in January 2012, which creates the UK's new financial regulation framework. Planned changes include authorisation, skilled persons reports, status disclosures, transfers of business, EU passporting and reporting. There is a proposed six month transitional period from legal cutover for firms to change business stationery referring to the FSA.

2

Consultation paper about changes to the client money rules (CP12/20) – published late August and contains little in the way of surprises given that the FSA discussed its plans widely with BIBA members at 10 of our compliance forums prior to publication. The FSA's approach to risk transfer, as set out in the draft rules in section 5.2, stopped short at mandating a prescribed set of words for TOBAs as hoped, but does introduce the concept of 'unconditional risk transfer'. The paper also proposes the introduction of Client Money and Assets Resolution Packs (CASS Resolution Packs) in our sector. These packs are a 'black box' of documentation which would help an insolvency practitioner access the information required to deal with client money in a timely manner following appointment. Intermediaries would have to provide this pack within 48 hours of the firm's failure. BIBA is planning guidance on this.

3

Financial Services Compensation Scheme – BIBA is continuing to fight its corner after the publication of CP12/16 which set out a new funding model for the scheme. The proposed financial cap on the insurance intermediary class has been raised from £195m to £300m, something which we have told the regulator is not fair and does not make sense based on past experience. Efforts to ensure affordability across the classes seem to have gone out the window as far as general insurance intermediaries are concerned.

4

Contract certainty code of practice – It has been five years since this cross-industry guidance was first issued and BIBA's commitment to its principles remains as high as ever. The code has been refreshed slightly by a few cosmetic changes to reflect the passage of time and will soon appear on the BIBA website.

Compliance Forums:

7 November

LEEDS AM; NEWCASTLE PM

27 November

SOUTH EAST – EASTLEIGH

12 December

MERSEYSIDE



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Going gets tough for scrap metal thieves

A better deal for those affected by asbestos related disease and new legislation to reduce the scourge of scrap metal theft are welcomed by BIBA. **STEVE FOULSHAM** reports



Members work hard to secure ELTO data

BIBA brokers have played a major role in helping gather information for the new employers' liability database, which is the key component of the new Employers' Liability Tracing Office (ELTO).

Our members have reported strong collection level rates for Employer Reference Numbers (ERNs). In our survey, nearly half (49%) of respondents reported between 70% to 100% collection rates, with a further 19% having a collection rate of between 50% and 70%.

ERNs are a mandatory component for the population of the Employers'

Liability database and must be collected by the industry with success rates of 100% by April 2013 or insurers could face sanctions from the regulator.

Lack of awareness causes problems

Where there are collection problems, lack of awareness of ERN by businesses was identified as the main barrier to collection by 61% of respondents, but 40% also highlight that businesses "did not know where to locate" ERNs.

We want to do as much as we can to help those with mesothelioma. Over the years, many brokers have asked us for help with tracing issues when one of their clients has been affected or if their client is an employer. Because it is such a serious disease, it is extremely distressing if delays occur. However, details on whether EL existed can be hard to find, given that it may be from 30 years ago.

We would always recommend a broker tries to speak to accountants who may have worked with the employer and could have details in old ledgers. It may also be necessary to warn an employer that if no insurer can be found, they may be liable, which can be serious as settlements are often large.

Old boxes store up tracing difficulties

It is good news that an insurer-paid fund for those where an insurer cannot be found is being set up. The agreement should speed things up

and insurers have supported the scheme which we do not believe involves excessive levies. But, it is also important insurers do all they can to sort out their old records – in many cases these are still stored in boxes. This is an arduous task, but the victims of mesothelioma deserve an efficient service from our industry.

If brokers are experiencing problems with ERN collection, they should let us know, but we are so far pleased with the results. However, we would question whether insurers, dealing direct and who are unlikely to have a personal relationship with the client, will have achieved as much.

BIBA is also calling for HMRC to do more to educate businesses. Brokers have told us there is some unwillingness on the part of clients to supply the information at SME level, due to the alignment of ERNs with the PAYE system. In many ways this could and should be addressed by an education programme driven by HMRC who allocate these numbers.

We would like to see the HMRC data made available to the industry or directly to ELTO. Further education of the business community is also required in order to reiterate why this information is needed, and this could include publicity provided by other trade associations. This was also cited as a barrier to collection by a small number of our survey respondents.

INSURERS BACK SCHEME

On 25 July it was announced that newly diagnosed victims of mesothelioma will receive help through a new support scheme.

The scheme was announced by the Minister for Welfare, Lord Freud, and the Association of British Insurers (ABI).

The new scheme will allow around 3,000 mesothelioma victims across the UK who are unable to claim compensation because they cannot trace a liable employer or employers' liability insurer to receive approximately £300 million in payments in the first 10 years.

More than 300 mesothelioma sufferers a year currently lose out on compensation because they are unable to trace a liable employer or employers' liability insurer.

This new scheme is funded by insurers and will be in addition to the £200m the insurance industry already pays each year in compensating mesothelioma sufferers. It will be funded by a levy on all EL insurers at an estimated cost of £25m to £35m a year.

The scheme will be dependent on new primary legislation, but it is expected the first payments will be made by July 2014.

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



TACKLING RISING SCRAP METAL THEFT IS CRUCIAL

BIBA is supporting moves to reduce scrap metal theft, which is said to be costing the UK economy some £750 million a year.

We fully support tougher legislation and see this as one of the main ways to deal with this very serious problem. It is also welcome to see insurers providing more guidance and of course, brokers are also able to advise on risk management.

A Private Members' Bill was introduced by MP for Croydon South Richard Ottaway and passed its second reading in July. Its aim is to reform the scrap metal industry, and in particular, what Mr Ottaway called the "outdated legislation", in the Scrap Metal Dealer's Act 1964.

It will mean tougher industry trading standards to make it more difficult to purchase stolen metal and give local authorities, police forces and wider local partnerships powers to tackle

wrongdoing in the scrap metal industry.

Meanwhile the Legal Aid, Sentencing and Punishment of Offenders Act, which received the Royal Assent on 1 May, puts a stop to cash transactions by scrap metal dealers.

Theft of scrap metal has caused many problems – and not just for insurers. The railway sector has been hit hard and passengers have also experienced delays because of metal cable theft. Meanwhile, gas cylinders have been targets and some 200,000 were said to have been stolen last year. It has also shocked many people that a growing number of metal memorial plaques have been stolen from graveyards.

Churches have also been badly affected and insurer Ecclesiastical has done much to raise awareness and is helping churches by providing 'SmartWater' kits

and recommending roof alarms.

2011 was the worst year on record for the number of metal theft claims from churches and over the past four years, metal theft claims from churches insured through Ecclesiastical have now exceeded £25m, with over 9,000 claims.

There was a well-attended breakout session at the recent ABI Property Conference on the topic which looked at causes and solutions. Much of this crime is believed to be opportunistic – the figure has been put at 85% – whereas around 15% is thought to be perpetrated by criminal gangs.

We are recommending that brokers talk to their clients about the risks and that they improve security where possible. With the economy remaining so difficult, more thieves may be driven to steal and will be looking for softer targets.

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It's open mic time – we asked a group of influential brokers for no-holds barred views on some hot topics

Telling it like it is

BIBA's team recently set a series of questions to gauge the state of the nation. The brokers who participated were:



Phil Barton – Chief Executive (Insurance), Jelf Group



Tim Coles – Chief Executive Officer, Howden Broking Group



Barry Fehler – Deputy Chairman, South Essex Insurance Brokers



Andrew Gibbons – Managing Director, Mason Owen Financial Services



James Sharp – Director, TEn Insurance Services



Carl Shuker – Chief Executive, A-Plan Insurance

What changes have you made to adapt to the economic environment?

PB: We've focused our activity on core broking activity with clients, renewing policies and winning new business. We're investing for growth and continue to grow organically and this will position us well for any future upturn.

We've increased our investment in client feedback and utilised NPS (a customer loyalty metric) more rigorously to ensure we're close to our clients. Similarly we've sought to make the business more efficient through better utilisation of technology and more e-trading in both commercial and personal lines.

TC: Overall, the focus has been on mitigating risk to help withstand external pressures – for us as well as for our clients.

Our approach is long term. We discourage thinking about market cycles and instead focus on meeting client needs profitably whatever the environment. Our strategy has involved the diversification of our business and increased territorial focus on emerging markets, which has helped improve the balance and resilience of our portfolio.

BF: We've implemented tight control of expenses, and this includes on wage rises.

AG: Over the last couple of years, we paid particular attention to cost control, which unfortunately resulted in a slight reduction to our workforce. This proved a prudent measure as our business retained its stability and we've just recruited a new member of staff in order to develop the business further.

In terms of our client base, many of our property investor clients are under pressure from tenants relating to insurance premium recovery and from banks looking for greater security over insurance policies. We've had to recognise this pressure on our clients and be flexible with our own earnings where appropriate.

JS: I think it's testament to our business model and strategy that

we haven't had to make any changes. We've continued to grow while others have struggled to keep their heads above water.

CS: Fortunately, we've not had to make cut backs and our growth plans have continued. We continue to hold a steady course and have not found the recession has impacted on us to any great extent. There is an increased demand for personal service and fewer options for customers who want this.

How do you view current service levels from insurers? Worse, better, same as 12 months ago?

PB: Service levels from our insurer partners have improved over the last 12 months with most of our major partners delivering well for us. The best service we receive is from AXA and Hiscox who work in a collaborative way with us across the UK and schemes/affinities respectively.

TC: With a wide variety of insurers comes a wide variety of service levels but, overall, I think those insurers who are best at navigating the prolonged economic situation are those that are continuously improving the service they give to brokers, and indeed asking brokers what they want in terms of service. Dialogue is as important as ever.

BF: My view is that service levels are generally poor and about the same as 12 months ago.

AG: Service levels remain the same as 12 months ago which is a real mixed bag across insurers generally. Overall, the service from the market we find is not very good, particularly when it comes to issuing documentation promptly and accurately.

JS: On the whole it's the same as ever, although to give credit where it's due, AXA's service has definitely improved.

CS: There are occasional frustrations with service from insurers, but this is an ongoing situation rather than a response to the economy. It's also up to brokers to make sure they are communicating with insurers and speaking to the right people and sorting out issues – or switching business if standards are unacceptable.

What improvement to insurer support would you like to see?

PB: There is opportunity for brokers and insurers to work more effectively together, to develop compelling product propositions and to deliver for clients on our claims promise. At times there continues to be duplication of effort, which impacts on efficiency and / or gaps in communication which impact on the client experience.

TC: We'd like to see more choices for clients with multi-national needs; there are only a handful of insurers that can provide a seamless cross-territory solution, and with varying levels of practicality.

BF: We'd benefit from faster responses, better underwriting skills, better claims staff and management information.

AG: The flexibility in underwriting approach from local branches seems to be being curtailed by many insurers. This, along with the dual pricing between new business and renewals, means insurers are often losing long-standing profitable business and looking to replace it by underwriting new risks at lower terms - they do not have the flexibility to adjust renewal pricing. Clients and brokers alike are looking for stability from their underwriter in the face of market pressure. But the constant churning of business is increasing both the cost base of insurer and that of the broker and may not necessarily benefit the client other than in a short-term cost saving as

“
We've had to recognise this pressure on our clients and be flexible with our own earnings where appropriate.

ANDREW GIBBONS

subsequent renewals are likely to increase in cost.

JS: Commission increases always go down well!

CS: On the whole, we receive good support from insurers.

How is technology impacting your relationship with customers?

PB: We're embracing technology through development of search engine optimisation/pay-per-click strategies and creation of a range of quote and buy facilities. Our belief is the broker who utilises technology to strengthen his client relationships – rather than see it as competition – will be the ultimate long-term winner.

TC: Technology is advancing inexorably. It's enabling us to improve our efficiency and speed and is therefore allowing us to deliver more, faster, to our clients. Certainly for clients whose risks are less complex, we are shifting towards the provision of fast, electronic cover. This is going to continue. Keeping pace with and even ahead of technological developments is a high priority for Howden.

BF: For us, technology helps to improve our relationships by freeing up time to talk more to customers.

AG: Overall technology has greatly improved the ability of brokers to communicate with clients. In turn, the majority of documents are now issued electronically by our insurers and thus, the efficiency of providing information to our clients in good time is greatly improved. The impact of social media is yet, in my opinion, to be seen. But our view is that whilst the speed and efficiency of communication can be improved by technology, our customers still retain the reassurance of personal advice for more complex risks.

JS: It's varied. There's an increasing amount of customers happy to receive everything electronically but you can't ignore the importance of maintaining personal contact.



Increasingly it's us or a screen and not everyone wants the latter.

CARL SHUKER

Insurance is primarily a relationship-driven business and while we should all embrace the efficiencies that technology can deliver, it shouldn't be at the expense of losing sight of building and maintaining personal relationships.

CS: In terms of advances made in SME e-trading, there have been real benefits. Technology has also meant greater accuracy in policy documentation and in contract certainty. On personal lines, we see many people coming from the internet to us as they want to deal with someone local. They do their research on price comparison sites, but they will not have the confidence to buy because they can't speak to someone to ask questions. Increasingly, it's us or a screen and not everyone wants the latter.

What if any, do you see as the main areas of growth in the next 12 months in the UK or overseas?

PB: Undoubtedly schemes and affinities will continue to be a primary growth area for the sector. As clients become more discerning regarding the suitability of the solutions offered, scheme arrangements have a natural advantage. I'm also positive about prospects for growth in the HNW/private client arena.

I'm less certain about the core commercial insurance marketplace, which I believe is going to continue to be hamstrung by over-competition, economic issues and limited rate strength.

TC: We're expecting growth across all parts of the Group because growth is a product of having the right people with the right approach to meeting the needs of our clients. An example is in Spain where our broking operation grew 14% last year in the face of considerable

economic turmoil. But, a priority within our strategy is a focus on Emerging Markets, where we are growing rapidly; we are driving towards 50% of our income being derived this.

BF: From our perspective, none.

AG: In reality, and basing my view on recently released government figures, I'm not optimistic about growth in the UK or indeed in Europe over the next 12 months. Most of the world growth areas would appear to be in markets with whom we, as a nation and certainly us as a business, have limited, if any involvement. I'm not downbeat about this, believing we have a strong business that can take advantage of opportunities within the UK to continue to grow our business.

JS: We don't see growth as limited to bringing more appointed representatives into our network. Our established AR members are growing themselves. We're seeing green shoots in pretty much every region and sector across the UK – but in particular, it's interesting to see more business coming from the manufacturing industry in the Midlands.

CS: Personal lines continues to grow nicely and we're also seeing an increase in SME at the smaller end. We're solely a UK business and the main thrust of our growth is organic. Last year we opened four new branches, and this year, two so far. We have a number more on the drawing board.

Are you seeing claims issues and if so, what concerns you? For example, reluctance by insurers to pay, fraud or increased litigation?

PB: I've seen a tougher stance on claims emerging from insurers as a response to clients becoming more inclined to claim. This is a natural consequence of a prolonged recession and emphasises the importance of the role of a professional broker. We continue to invest increasing sums in building our claims capability.

TC: Increased litigation is prevalent, but is not news any more. We're certainly also seeing a more diligent approach from insurers. For clients, this means more than ever that they need expert brokers to help ensure relevant coverage which is delivered not only at policy issuance but also at the moment of truth – when a claim occurs. Our claims experts are embedded in our client service teams and play a direct role in winning and retaining business.

BF: We've seen no change by insurers in their dealings on claims.

AG: We're seeing issues surrounding claims as it seems to be more common for a claims handler to be checking policy coverage and exclusions with a view to avoiding liability, rather than looking at how they can pay the claim.

We're seeing an increased incidence in claims which are initially repudiated on fatuous grounds, which, when challenged, sees the claim being dealt with under the policy terms. Such attitudes do not breed confidence in clients, but this is where the value of independent advice from a chartered insurance broker pays true dividends for the client. We've not seen any real evidence of increased fraud, but are certainly seeing increased activity in relation to litigation from third parties and in terms of damage caused to empty buildings.

JS: You'd expect to see reluctance amongst insurers to pay, greater incidence of fraud and increased litigation during an economic downturn and I would say that we're facing all these issues right now. It's a question of working hard with insurers to make sure valid claims are dealt with efficiently.

CS: Generally this is not an issue. Our customers expect service from us and we are the interface between them and the insurer. We also have to do all we can to ensure service exceeds their expectations. Insurers are now more attuned to fraud, but this is not a bad thing. Once they realise the scale of the problem, most policyholders understand and they do not want to subsidise fraudsters. If

we felt insurers were being too heavy handed, we'd take action.

There is the odd occasion where we're disappointed by an insurer's claims handling. We act quickly in these cases and if we're satisfied it's a genuine claim, our message to the insurer is that we know the customer and we will deal directly with a decision maker to fix the problem. Fraud is rarer when there's a personal and often face-to-face relationship with the customer.

What do you see as the most important regulation issues and why? For example, FSCS, style of supervision, cost, client money, Threshold Condition 4, IMD2 or other.

PB: The emergence of the twin peaks regulatory regime is a huge issue which the industry will need to respond to. Clearly the focus on impact rather than intent/principles will result in a tougher regime for many brokers. Of course client money and the financial security of brokers will rightly remain on the top of the agenda, although I do not think that IMD2 and the commission disclosure issue will impact the market in the near term.

TC: There's a huge amount going on in the regulatory environment, and all of it is important; it is undoubtedly an increasing part of day-to-day business. For us, the overarching aim must be that regardless of the detail 1) regulation must be proportionate and 2) we must work together to make sure that it is proportionate. This includes all representative bodies of the insurance industry, be they broker or insurer focused, collaborating to deliver a unified message to ensure the most appropriate outcome for our clients and the industry as a whole.

BF: For us, these are costs and new regulations coming in from Europe and uncertainty over our new regulator.

AG: The general cost of regulation is completely disproportionate to our peers in Europe, particularly when compared to the risk that general insurance brokers present.

Any continuance of the cross subsidy is bound to have an adverse effect on brokers, many of whom do not sell high risk products such as PPI, which have caused huge problems with the compensation fund.

Over-complicated client money rules remain a concern for all brokers and I believe the increased charges that may apply in the future to a separate fee block could radically change the industry and ultimately be a detriment to clients. Perhaps of greatest concern is IMD2 and the influence from Europe that commission-related transactions in general insurance broking may be outlawed. I fear to do so could mean good quality independent and affordable general insurance broking advice may become the preserve of the wealthy, in the same way as it has in the general UK IFA/life insurance market.

JS: Client money rules will add even greater burden on brokers and the whole FSCS saga appears to have no end.

CS: It seems banks are at the epicentre of nearly every mis-selling problem – from pensions, endowments, to precipice bonds, PPI and now it seen interest rates swaps. This sector needs addressing. But what happens is we all get more heavily regulated, the consumer gets more paperwork and somewhere along the lines we pay for it in FSCS levies.

We fully support the need for regulation – it's essential for consumer confidence. But there does need to be proportionality.

“““

Client money rules will add even greater burden on brokers and the whole FSCS saga appears to have no end.

JAMES SHARP

Rest easy



**93%* of our brokers say
they're satisfied
with our service**

When we asked our brokers if they were satisfied, they were happy to tell us. And it seems their clients are pretty satisfied too, because 99%** of them would consider us again when their policy comes up for renewal. All of which means that when you need us, you can rest easy we'll be there to support you.



*Source: Ecclesiastical 2011 Broker Opinion Survey **Source: Ecclesiastical 2011 Survey & Risk Services Opinion Survey

Piecing our future together



BIBA Chairman Andy Homer explains why we are working on a programme of review, which will create a trade association that is fit for the 21st century and he calls on members to ensure we receive your input



At this year's conference in May, BIBA Chief Executive Eric Galbraith announced that a strategic review was underway, one of the most important projects which has been carried out since our formation in 1977.

The background to the review

The purpose of the strategic review is to consider what BIBA, as a trade body in the 21st century, should look like and following consultation and agreement with members, we will make the necessary investment to achieve this.

The timing of the review makes sense since the merger with the IIB was formally completed in November 2011. We want to ensure that former IIB – and now BIBA – members are fully on board and involved with discussions.

There is much more for us to address in this review notably in the light of the increasing burden of regulatory demands and the pace at which insurance distribution is changing.

We face the threat of mandatory disclosure – and even a possible ban on commission as has happened in the independent financial services sector following the Retail Distribution Review.

Then there is the unfair structure of the Financial Services Compensation Scheme and the positioning of the new Financial Conduct Authority. Its new Chief Executive designate Martin Wheatley recently said the regulator will work on a “shoot first and ask questions later” basis. Against this background, it is clear why we need a review.

Engaging Deloitte

Deloitte were selected to help us conduct a truly independent review based upon their highly developed knowledge and insight into the UK insurance market.

Deloitte have spoken to a broad range of stakeholders, including the BIBA Board and Committee members, other associations including the Association of British Insurers (ABI), the London and International Insurance Brokers' Association (LIIBA), the Chartered Insurance Institute (CII) and of course the Financial Services Authority (FSA). Their report was presented to the BIBA Board in September and the Board unanimously agreed to take the next steps to bring about the review of what BIBA does and how it does it. This will include extensive consultation and discussion with all groups of members large and small.

Next steps

Our next task is to set up a Steering Committee and this will establish a timetable for the consultation and further analysis, with around six workstreams resourced to complete the programme. We will set out the main elements of what change will mean in practice at the BIBA Conference in 2013 in London.

The six workstreams are likely to include:

- 1: Board Governance, including optimal size and representation, plus a review of committee structures and the creation of an Advisory Board or Boards to ensure all members have a voice.
- 2: Strengthening of the Executive team and association overall and taking on more resources where appropriate.
- 3: Clear segmentation of members to ensure relevance and effectiveness of BIBA's representation and service delivery.
- 4: Having 'one voice' in the general insurance sector by working effectively wherever we can with organisations such as ABI, LIIBA, MGAA, Lloyd's and CII.
- 5: A review of BIBA's commercial activities to improve income on an open, transparent and fair basis.
- 6: The creation of a principles based Code of Conduct for member companies which will be a compulsory element of BIBA membership.

A series of regional meetings to describe and discuss this programme will be arranged to take place over the next few months and as the programme and workstreams are established we will keep the members

BOARD BACKS REVIEW

The Board comprises:

- **Andy Homer** – Chairman
- **Brendan McManus** – Giles Insurance Brokers Ltd, Deputy Chairman
- **Alec Finch** – AFL Insurance Brokers Ltd
- **Neil Thornton** – Bluefin
- **Martin Oliver** – The A&A Group Ltd
- **Kevin Hancock** – Yutree Insurance
- **Robert Brown** – Aon Ltd
- **David Perry** – CCV Ltd
- **Ken Davidson** – Crispin Speers & Partners
- **Barry Fehler** – South Essex Insurance Brokers Ltd
- **Bryan Whicher** – Oamps (UK) Ltd
- **Bob Pybus** – NPA Insurance Group
- **Barbara Bradshaw** – BIBA



informed via regular updates on the BIBA website.

I look forward to updating members on progress and I also want to emphasise that this review is inclusive – all voices will get a hearing.

So, please speak up and play your part in shaping your trade association.

SURVEY OF MEMBERS' PRIORITIES

Earlier this year, we conducted a survey, with all members asked to participate. This was one of the biggest pieces of research we had ever run.

Some 95% said they were satisfied with BIBA's performance, however, according to Eric Galbraith, the real challenge is to move the 42% of members who said they were 'satisfied' with BIBA's activities to join the 54% who said they were 'very satisfied.'

Other key findings were as follows:

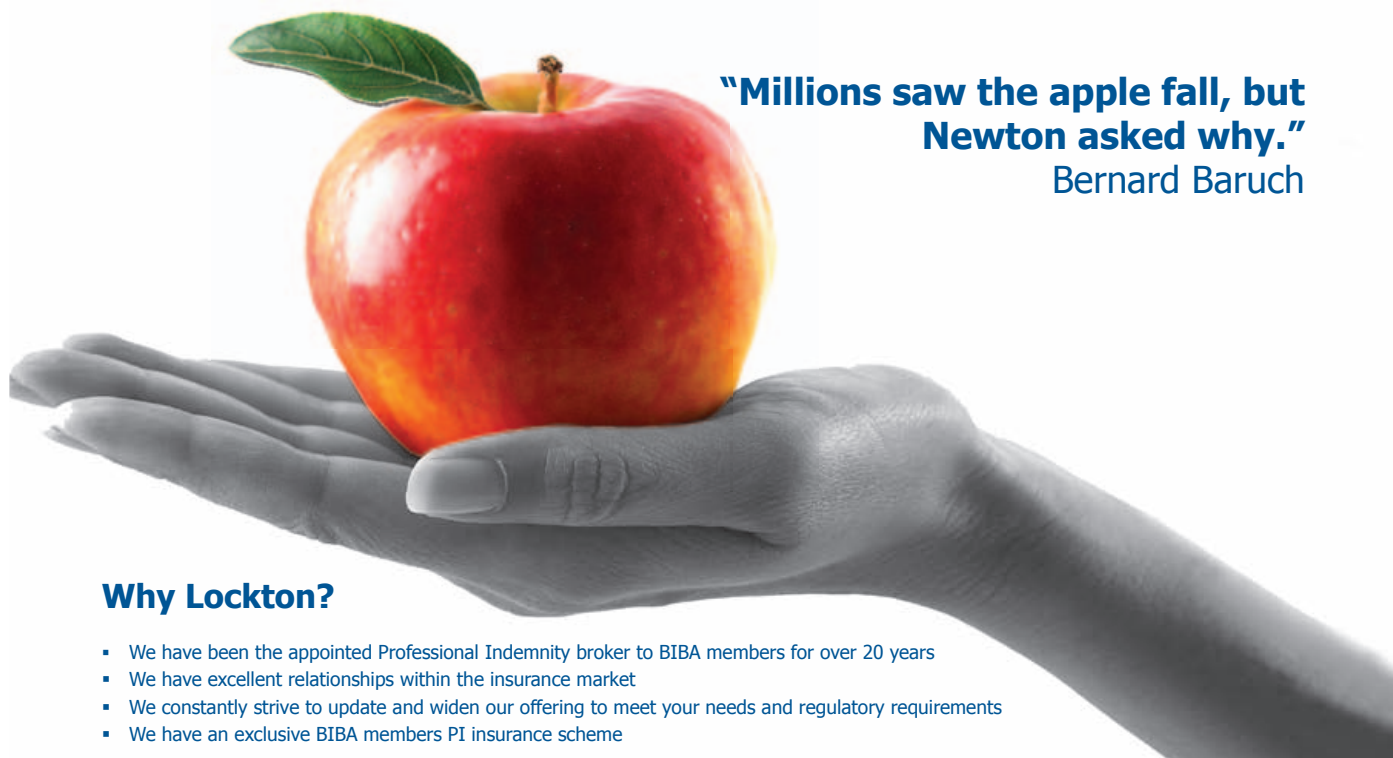
- 75% of brokers say regulation is the main issue facing their business

- 49% said insurer service was the second most important issue facing their business
- Nearly 90% of members want BIBA to represent to government the need for more appropriate and proportionate regulation; 80% said more cost effective regulation; and nearly 75% said reform of the FSCS
- Out of 75% of brokers who are finding the cost of regulation an issue, 10% rated it as having a 'critical impact' and a further 90% as 'some negative impact'.

We asked what should BIBA's focus be in 2012 and according to members:

- 73% said representing brokers to government
- 45% said protecting brokers' interests
- 41% said promoting brokers
- 27% said being the voice of the broker
- 26% said regulation information and advice

Our strengths were identified as representing members to government, regulation information and advice, and the BIBA conference.



**"Millions saw the apple fall, but
Newton asked why."
Bernard Baruch**

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BIBA members can access 3 specially arranged BIBA Schemes:

NEW – BIBALet Landlords Insurance

We are delighted to be the new providers of BIBALet, giving BIBA members access to a range of cover options specially designed for landlords. We have over 20 years experience in this market and cover is underwritten by leading UK insurers. Our BIBALet scheme offers enhanced commission and pricing deals with no minimum volume of support required.

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Adding *polish* to your collection

Catch up with the latest on our new cleaning scheme and we also speak to broker Tony Bird about the benefits of Standard & Poor's Insurance Ratings View. **STEVE FOULSHAM** reports



Clean up with our new scheme



BIBA has recently launched a new scheme for the cleaning industry in conjunction with Gleaming Wholesale.

The scheme includes Employers & Public Liability cover and also cover for 'damage to property worked upon', 'treatment risks', 'loss of keys', 'professional indemnity' and 'financial loss' as standard.

Many members will have used the traditional schemes and markets over the years, but we believe the BIBA scheme is different in the following ways:

- **No proposal forms** – There is no need for your clients to complete a 10 page proposal form to obtain a quote. The online risk capture system allows members to provide the information in minutes.
- **No annual declarations** – why increase your administration workload by asking for declarations? The scheme gives your clients' estimate a 50% uplift from the start.
- **Interest free instalments** – an option for those clients who don't want to pay upfront and an additional 6-8% interest on their premiums.
- **Continual policy cover** – no renewal process, the policy just carries on at the same premium for as long as the client requires the cover.
- **Low excesses** – £250 for all third party property damage claims. Many others are £500 or higher.

Members can obtain quotes online via the dedicated website for the scheme

www.bibacleaningscheme.co.uk, and in most cases the quotes are provided within the same business day.

The BIBA Cleaning Scheme is provided by Gleaming Wholesale, under their designated scheme with Hiscox Insurance.

Many members have already seen the benefits of the scheme and Andy Chibeba, Account Executive with UK Special Risks, says: "I have found the Gleaming Facility and Hiscox Policy to be very competitive and flexible both in terms of its pricing and cover.

"It includes the specialist extensions in cover which are vital for any cleaning scheme product but comes with a couple of vitally important additions which make it stand out from its competitors. It includes a 0% 12 month Direct Debit option (regardless of premium size) and it also brought in lower minimum premiums which benefited the smaller contractor significantly often providing premium savings of around 25%. The underwriting is both efficient and effective with relevant information requested and a quick answer – within a few minutes on most occasions."

He continues: "The product itself allows a quick, easy and tailored package of cover to be created which includes the cleaning equipment and machinery anywhere in the UK. This brings further benefits to

the smaller contractor in particular as these would often previously have required additional policies to be included further pushing the minimum premium level up. This is a refreshing product which is easy to use and it is a pleasure to see a wholesale scheme actually delivering on what it says it can do."

Martin Holden, Director of Gleaming Wholesale, said: "We are absolutely delighted to work in partnership with BIBA and to be able to bring this innovative product exclusively to BIBA members. We pride ourselves in the professionalism and quality of our service and feel that this will fit perfectly with BIBA members' needs when it comes to placing cleaning contractors liability insurance for their clients.

"Our website and method of delivery is something we are extremely proud of as we feel it delivers something that is quite unique in this field and will support the new business and retention demands placed on brokers in the current business environment. Reducing the administration burden by making use of the internet and secure IT systems plus having the broking expertise and solid insurer behind it means the BIBA Cleaning Scheme is truly something that can be of great value to any BIBA member and we look forward to working with

them in the future."

Whether a broker's clients are carpet cleaners, contract cleaners, window cleaners or specialist cleaners, the BIBA Cleaning Scheme can cater for all their insurance requirements.

For more information: Either visit the website, telephone 0845 474 0068 or email: office@gleamingwholesale.co.uk

Steve Foulsham is BIBA's Head of Technical Services



Making sure the ratings are right

Clients rely on their broker to recommend the right cover and one of the most important factors is knowing that the insurer is financially secure.

Few customers may realise just how crucial this is – unless of course, the worst happens and the insurer fails. Tony Bird, Director with Kingsbridge Risk Solutions, comments: "When Standard & Poor's (S&P) launched Insurance Ratings View with BIBA we felt this would benefit our business. We use it for every risk – and deal with every size of client. It ensures we are informed and it would not be possible to have quick access to accurate and detailed information without the system."

Kingsbridge deals with a wide range

of clients from large corporates in areas like utilities, construction and food and drink to SMEs and has a specialist division for self-employed people. It provides fee-based broking, consultancy and risk management services on UK and worldwide insurance programmes and online quote and buy depending on the client and risk.

Tony continues: "Things can change suddenly. As we know, the situation at Independent deteriorated rapidly and we have ongoing uncertainty in the Eurozone. If a particular insurer is being discussed with a client and they may not be the cheapest, you need solid reasons to explain your recommendation.

"If a rating goes below a certain

level we would explain this to the client and that we did not recommend taking out cover – ultimately, it is the client's decision, but we need to provide them with as much information as possible. Using the S&P system is a safeguard for the client and also a safeguard for us and the last thing any broker wants to be faced with is litigation linked to a failed insurer."

S&P Insurance Ratings View provides BIBA members with a bespoke insurer security credit rating service, which is available in real time via a portal. Ratings are provided on over 100 UK and Irish insurers and optional email alerts inform brokers of any rating changes. Members benefit from a discounted rate based on a 12 month subscription.



It's official:

Aqua is now BIBA's HNW scheme provider

Aqua's high net worth household product range is designed to meet the needs of affluent homeowners. Aqua is a broker-only underwriter with a choice of three unique products that offer the flexibility for policyholders to select the breadth of cover they require.

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Opening our doors to young recruits

Tackling youth unemployment is a key priority for the government and us all. However, many brokers may feel they are unable to recruit young people in these difficult times. Martin Brown, Director for Wales and Employers, Jobcentre Plus, looks at possible solutions

For the first time, Jobcentre Plus is starting a new ongoing relationship with the insurance broker sector. I have responsibility for the operational delivery of our employer engagement agenda and we now have the opportunity to focus on careers in the insurance sector. I want us to work with BIBA and its members in a way that will be mutually beneficial; providing you with a vehicle into government, while supporting our agenda to help people into employment and long-term careers.

I chaired the recent groundbreaking Trade Association roundtable – ‘Working together to shape the workforce of the future’ which BIBA’s Head of Corporate Affairs, Graeme Trudgill attended. We were lucky to have Chris Grayling, former Minister for Employment also attend the event.

Both the Minister and I were

thrilled to have the opportunity to engage with over 20 trade associations – including BIBA – who between them support the interests of over 200,000 UK employers of all sizes. The influence and potential that such a group can have in terms of securing a UK workforce for the future is both inspiring and exciting.

The roundtable provides a platform and communication channel; both for recognising common issues across sectors, and as a springboard for a two-way flow of information between trade associations and Jobcentre Plus.

BIBA has already done great work and have supported us in our youth unemployment goals by messaging members on the Youth Contract and carrying information on its website. I hope to build on this and share more information as we work together.

Many of you will recognise the presence of Jobcentre Plus on the high street. The look and feel of our organisation has changed greatly over the past decade. IT system enhancements in the coming year, along with the introduction of the Youth Contract to help support youth employment mean that we can continue to match the needs of the changing labour market, jobseekers and employers.

Discover the Youth Contract

The Youth Contract is a major initiative in getting our young people into work. The Wage Incentive, part of this contract, offers a payment of up to £2,275 for each 18-24-years-old recruited from the Work Programme for a job which is expected to last at least 26 weeks

and for 16 hours or more per week.

The Wage Incentive is also available across England, Scotland and Wales through Jobcentre Plus, also for 18-24-year-olds, but who are not on the Work Programme but live in one of 20 specified local authority areas.

Wage Incentives are available if you take on a young disabled person from the work choice programme. As I can only provide you with an overview here, please visit the DWP’s Youth Contract website.

Raising the broking profile

Graeme asked me how the sector should go about raising its profile as a career choice for young people. I believe, in dealing with that issue, it’s key for you as BIBA members and major stakeholders, to be directly involved.

I’d like to invite some of you to volunteer support for a consultation event which Jobcentre Plus and BIBA will lead on – see box left.

I’d want the group to start to look at the key issues facing the sector, such as:

- What does the sector look for in a ‘typical’ applicant?
- What the age profile of the industry is?
- What are the sector concerns about the workforce of the future?
- Where the biggest concentrations and gaps are geographically?
- What a good attraction campaign looks like?

From this insight we can then move into identifying how brokers can do more to develop the workforce and make it an even more attractive sector to work in.

FIND OUT MORE – AND GET INVOLVED

To find out more about taking part in the consultation event, or for more information on Jobcentre Plus services for employers, please contact Alex Farkas, Senior Employer Relationship Manager who is working with BIBA, on 07966 566734 or email alex.farkas@jobcentreplus.gsi.gov.uk

- Visit www.dwp.gov.uk to find more information on government services.
- For information on the Youth Contract, visit: <http://www.dwp.gov.uk/youth-contract/>
- For information on the wage incentive for young disabled recruits, visit: <http://www.dwp.gov.uk/youth-contract/key-initiatives/>

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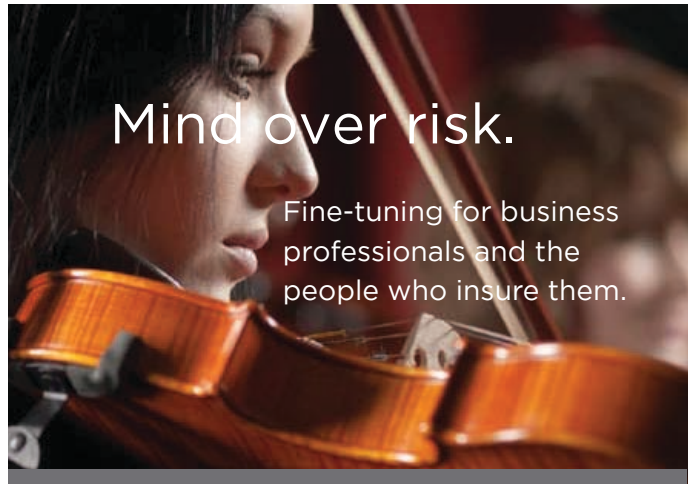


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A year of achievement

It's been a busy year taking forward members' manifesto issues. So how have things developed so far? As **GRAEME TRUDGILL** reports, we've had some big wins and made progress in many areas



BIBA's manifesto is our main public declaration and outlines all major campaigns and priorities.

Over the past year, it has helped inform a wide spread of top level contacts, these included: Mark Hoban MP, Financial Secretary to The Treasury, Justine Greening MP – Secretary of State for Transport, Minister Richard Benyon MP, Floods Minister, Martin Wheatley, CEO Designate of the FCA and Andrew Tyrie MP, Chairman of the Treasury Select Committee.

We've also promoted issues on top BBC shows, made a budget submission to government and met with European Commission officials and MEPs from the all-important ECON committee.

These have been the key issues in the 2012 manifesto:

Signposting to brokers

The written agreement between BIBA, the government and the ABI was launched in April. This has value for brokers, meaning they can deal with more customers and place more risks.

The agreement is particularly helping older customers and overall enquiries are up as customer awareness improves and hundreds of organisations signpost to our 'Find a Broker' service, including many big brands. This is a win for customers, insurers, the government and our members.

Suitable insurance

We've promoted the value of suitable insurance protection and made great strides, appearing regularly in the media to cover areas like business continuity, travel, motor, pet, home and SME issues along with the benefits of brokers.

In the last 12 months, we've appeared on BBC One *Breakfast*,

Sky News, *Rip Off Britain*, BBC Radio 1, Radio 4, Radio 5 and produced regular columns for the *Mail on Sunday*.

We've also had lead stories in *The Telegraph*, *The Sunday Times*, *Metro*, *The Guardian*, *The Sun*, *The Mirror*, *The Express*, *The Financial Times* and *The Independent* along with many other national and regional radio stations and publications, and even a first for BIBA – *Woman's Own*!

Business Continuity/Business Interruption

We've promoted the benefits of business resilience and continuity planning and worked closely with the Cabinet Office. It was felt the popular 'Dummies Guide' books would be the best way forward, so we've helped author a version, including a specific insurance chapter, which highlights the benefits of business continuity, using a broker, and key areas like the right BI cover level – the book was launched in September.

Catastrophes/Flooding

This is one of the biggest issues for the government, industry and our customers. We've held over 50 meetings with HM Treasury, DEFRA, the Environment Agency, the National Flood Forum, reinsurers, insurers, government special advisers, Private Parliamentary Secretaries, MPs including Anne McIntosh, Chair for the All Party Parliamentary Group on Flood Prevention and Floods Minister Richard Benyon.

There's a difficult scenario being played out with insurers ending the Statement of Principles for flood insurance, partly due to government flood defence cuts. Insurers want the government to have 'skin in the game', and say they cannot continue to pay if spending is insufficient.

However we have to be realistic about the money government has to spend. BIBA has proposed broker-led reinsurance solutions, which could, if spending is maintained, take the contingent liability away from the customer, insurer and government and protect policyholders, house values and mortgage arrangements.

We also authored much of the new DEFRA guide 'Obtaining flood insurance in high risk areas' which recommends working with brokers.

Underinsurance/Professional Indemnity Initiative

Underinsurance is growing and we've started a new working group with the ABI and committed to new member and customer guides.

These will provide practical guidance to avoid problems at claim time and potential PI claims against members. We've also produced a series of short PI Initiative video clips for our website.

Reform of the Financial Services Compensation System

BIBA's petition of 7,000 members called for a review of the FSCS funding model, so we were pleased the FSA finally agreed to consult on changes. Consultation Paper CP12/16 sets out changes to the financial caps and cross-subsidisation which we're currently discussing with our lawyers and consultants to try and obtain the best member outcomes.

Regulation by the new FCA

We're speeding towards a new era with our regulator changing from FSA to FCA. We're calling for a more proportionate and appropriate regime that reflects the low risks presented by members. We've taken our arguments to Martin Wheatley, Mark Hoban, Andrew Tyrie and the HM Treasury officials who wrote



the Financial Services Bill. We've produced research that identifies the limited risks posed by brokers and are working with several Peers on amendments to specific clauses in the Bill.

Europe/Revision of the EU Insurance Mediation Directive (IMD)

This is the most important European directive for brokers in the last 10 years. We've met with European Commission officials and MEPs and lobbied strongly for a level playing field so all insurance sellers (i.e. direct insurers, aggregators and travel agents) have to follow the same disclosure rules as intermediaries.

We're delighted the first draft of the IMD includes these channels. The thorny question of commission disclosure has included talk of banning commission, however the draft revision does not go that far and gives a further five years of 'disclosure upon request' before the potential of automatic disclosure comes into place. We believe this is an unnecessary measure and is something we're having detailed discussions on with European contacts and our European federation BIPAR.

Motor – fairer premiums for customers

BIBA attended the Ministerial Summit with five Ministers. Our aim was to improve motor insurance affordability and we discussed the need for a consultation on tackling the £2 billion cost of whiplash claims, which should be published shortly.

We're glad prices have stabilised and have an 8-point plan dealing with this on many fronts.

The Access to DVLA driver data project has developed significantly and we've conquered the data protection and registration issues. DVLA will soon appoint the IT provider to deliver the member service by the end of 2013. We also sit on the new Telematics standards board, have supported the MIB's uninsured driving campaign, and met with the OFT and FSA about credit hire and legal expenses.

Working with insurers

Good broker/insurer relations are key and this is something members see as a priority. So our General Insurance Brokers' Committee formed a new forum with the ABI called the Broker Insurer Forum – or BIF!

The first outcome is with TOBAs where there is a new agreement for all insurers to use a specific format/template upon reissue, to make it easier for brokers to identify where specific paragraphs sit within each TOBA.

Reform of insurance law

We've worked with the Law Commission to help shape suitable outcomes for brokers and their customers with the new Consumer Insurance (Disclosure and Representations Act), which received Royal Assent in April. This should see clearer outcomes on claims and more appropriate punishments for misrepresentation.

Trade credit insurance

We supported the government initiative in September to promote the Export Credit Guarantee Department's push in improving access to insurance for emerging markets and in working with brokers and increasing broker commission to 15%. We're also working with stakeholders to develop a CII trade credit training module.

And there's more...

Other issues on the go include fraud prevention, client money protection, Threshold Condition 4: Adequate Resources, ELTO, the London and International Market, helping the voluntary sector, conditional lending from banks, reform of solicitors' PI, Scottish government issues and broking staff recruitment.

It is also now time to put together the 2013 manifesto, so please contact me at trudgillg@biba.org.uk so we can include your views.

Graeme Trudgill is BIBA's Head of Corporate Affairs

A long and winding road

As the IMD review progresses, **VANNESSA YOUNG** provides insight into how the European legislative process works



We are all too familiar with the fact that increasingly our laws in the UK are being driven from Brussels by our membership of the European Union (EU), but how many among us actually knows what happens behind the scenes in the legislative process and how decisions get made in the EU?

Take the Insurance Mediation Directive (IMD) as a case in point. This hugely important piece of legislation to the insurance broking community is currently undergoing a review. The European Commission (EC), the executive body of the EU, released a revised text for the IMD (IMD2) in early July 2013.

BIBA and its Regulatory Working Party have been all over this text discussing the issues that arise from it and working alongside BIPAR (the European Federation of Insurance Intermediaries) to draw up suggestions for amendments to the draft text. But what happens then to the text?

Defining priorities

The IMD2 text will enter the queue with a slew of other legislation making their way through the EU legislative process. The European decision-making process is known as a 'co-decision' process. The EU's laws are made by the European Council, together with the European Parliament. The European Council is the EU institution where the member states' government ministers sit, namely the ministers of each member state with responsibility for a given area. The Council defines the general political direction and priorities of the EU.

In most cases the Council can only legislate on the basis of proposals submitted to it by the EC. The Council can decide matters on a 'qualified majority vote', with Germany, France, Italy and the UK having 29 votes each, down to Malta with just three votes, out of a total of 345 available votes. The EU's 27 member states take it in turn to chair the Council for a period of six months each. During this six month period, the Presidency chairs meetings at every level, proposes guidelines and draws up the compromises needed for the Council to take decisions. Cyprus currently holds the Presidency, with the Republic of Ireland set to assume the role in January 2013.

The European Parliament has 754 MEPs drawn from the 27 EU member states and who are members of seven different political parties and 22 Parliamentary Committees,

including the Economic and Monetary Affairs Committee (ECON), the Legal Affairs Committee (JURI) and the Internal Market and Consumer Protection Committee (IMCO), key committees for financial services dossiers.

Under the ordinary legislative procedure, the Parliament adopts a position on the proposal of the European Commission during its first reading of the text which may be adopted or rejected by the Council. In this latter case starts the second reading where the Parliament analyses the text amended by the Council.

Reaching conciliation

If both institutions do not reach an agreement, then starts the third reading and the conciliation procedure with the creation of a joint committee in charge of writing a conciliatory text.

Once agreed, and the above description makes this sound like a straightforward process but given the differing member state interests riding on the legislation it is far from easy, the text of the revised IMD II will be published in the EU Journal.

The EU Journal is the official publication of the EU and all legislation is published in it pages in all the official languages of the 27 member states. It is anticipated that publication of the finalised IMD2 text will occur possibly in late 2013 or early 2014. Member states then have up to two years to implement IMD2, so the very earliest that it could take effect under national law in the UK could be late 2015.

FIND OUT MORE

Members can find out more about the European Union at:

- http://europa.eu/index_en.htm
- <http://www.europarl.europa.eu/portal/en> – European Parliament
- <http://www.european-council.europa.eu/home-page.aspx?lang=en> – European Council

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