Spring 2009
Issue 36

British Insurance Brokers' Association

The Broker

SMEs need you!
Our research reveals confusion about advice

Reinsurance on the rise
Financial crisis spurs harder market

For your eyes only
Making data protection a priority

Delivering Value

Manchester Central hosts the 2009 BIBA Conference

The best insurance is a BIBA broker

www.biba.org.uk

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BIBA

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Welcome

Leighann Burtrand
Editor of *The Broker*

Who's seen the film *Erin Brockovich*, starring Julia Roberts? The story of a fearless single mother working as a legal assistant who plays a key role in taking on the might of a multi-billion dollar corporation – and wins – is inspirational.

We are really excited that she will be making her first visit to speak to a UK audience at this year's BIBA conference. She is only one of the superb speakers we have lined up for the event, Delivering Value, which is taking place at Manchester Central from 13 to 15 May.

It's impossible to choose a location and keep everyone happy, but when we held the conference in the same venue three years ago, this was, without doubt, one of the most popular in terms of the top quality exhibition space and accessibility. Entrance to all the presentations and seminars is free to members, so please book space in your diary now. You can find out more information about Delivering Value on page 22 in our conference preview.

It may surprise some that a third of SMEs were not clear as to whether they were receiving independent advice on buying cover for their businesses or if they were being sold a single product.

This was one of the key findings of our recent research into the SME market – a key sector for many of our members. We provide full details on page 10 and we all have a part to play in raising awareness of the benefits brokers bring.

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Viewpoint

Eric Galbraith provides an update on business issues from the new BIBA HQ

Greetings from across the road
Well, we've been through a moving experience and are now based at our new offices at 18 Bevis Marks, just across the road from where we were. It's bright, modern and we look forward to welcoming you here.

Book your conference place now
Despite the credit crunch, hotel rooms are already selling out for Delivering Value, the 2009 BIBA conference, which takes place at Manchester Central from 13 to 15 May.

Access to the conference, seminars and exhibition is free for members – and provides amazing value.

I am, of course, fully aware that the economic crisis is making things extremely difficult, but for those of you who have not been to the conference before, I would urge you to book a place now.

We all need new ideas and inspiration and Delivering Value is brimming with them. Of course, there are big name speakers and a full social programme. But we anticipated that trading conditions would remain tough when planning the event and there are 10 highly-focused seminar sessions purely on surviving – and thriving – in the downturn.

Delivering Value is the most concentrated way to obtain high-quality business coaching, as well as having the opportunity to share experiences with your peers.

I very much hope to see you for the duration of the conference or at least come for one day if you can't manage more time away. I can guarantee you'll get so much out of it.

Our *Manifesto* fits the bill
I don't mind admitting it, I was the biggest sceptic when it was suggested that BIBA launch its *Manifesto* last year. I prefer substance to spin and I was not sure that spelling out what we were campaigning on would have much use.

Now, following the launch of our *Manifesto* for 2009, I can say I was wrong. It has proved hugely valuable, not least when talking about insurance and the role of brokers to politicians. We live and breathe insurance, but it is easy to forget that many have limited comprehension and have no idea of what a broker does, or the breadth and depth of general insurance.

The amount of understanding if someone reads the *Manifesto* before a meeting increases substantially. We are involved in many areas that champion consumers and businesses and the *Manifesto* spells out what these are in just a few sentences.

This includes matters such as access to insurance and the need for advice, why best practice is needed on price comparison sites, business resilience, uninsured driving solutions and, of course, better regulation and influencing what comes out of Europe – to name but a few.

Many of the topics in the *Manifesto* are extremely relevant to all our members. If you have not already done so, please read the online version or contact us to obtain some copies.

Commission disclosure – moving on
In December, we outlined the BIBA-led market solution on commission disclosure, following the FSA's decision not to make this mandatory in the commercial insurance sector.

As I have said before, this has been a long drawn-out process. At the time of going to press, the proposed solution is going through the FSA's formal industry guidance process. We hope to have confirmation very soon. However, one fact is clear, brokers need to ensure they fully take on board what industry guidance involves – and then move on.

Email Eric Galbraith at galbraithe@biba.org.uk

Grabbing attention when your product is insurance isn't easy. But, there are marketing success stories out there, whether for a niche sector or a mass audience…

Hitting the target market...

Keith Lovett, Director, E Coleman & Co

"Coleman sponsors yacht racing events, is involved with many aspects of the trade bodies catering for the marine industry and can be found at trade - specific events"

E. Coleman & Co is an established broker, formed in Poole, Dorset in the early 1900s.

By the early 1970s, it had a conventional personal lines/commercial mix. Things began to change around this time, with an increasing focus on the commercial environment driven by growth in the region. Over the course of the next 15 years, Coleman grew to become a significant commercial lines broker. At the same time, I began building my career in the yacht and marine trade insurance markets. I proposed the formation of a specialist division and Coleman Marine was established in 1997 – I was part of the existing Coleman team of 15 staff. Over the following 11 years, Coleman as a whole has developed and grown, with 50 staff alongside an IFA business with 17.

Coleman Marine develops approximately 45 per cent of the company's income and the business encompasses yacht, cargo, marine trade and commercial craft.

We're primarily a marine industry service provider and second, an insurance brokerage. The team consists of boat owners as likely to be studying for Royal Yachting Association qualifications as insurance qualifications. We believe in complete immersion within the niche.

Coleman Marine places cover for a company building a boat, cargo insurance for the delivery, a policy for the new owner, looks after the marina where it's kept and covers the engineer who services it. We're involved with all aspects of the market. Coleman sponsors yacht racing events, is involved with many aspects of the trade bodies catering for the marine industry and can be found at trade-specific conferences and events.

Attendance at boat shows and events linked to the industry is extremely important. At a boat show, the team will see a number of marine trade clients and, in turn, meet their customers, who may ultimately become Coleman customers. The marine trade and yachting environment demands attention seven-days-a-week, 365 days-a-year, so that is exactly what Coleman Marine provides.

Real hands-on service brings extra value. Total involvement with all aspects of the niche breeds success. Customers appreciate that Coleman's team have a depth of understanding with regard to the risks of boat ownership or the marine industry that supports the pleasure craft market.

Hayley Parsons, Managing Director, Gocompare

"Probably the biggest success has been the integration of the online paid search campaigns with the offline national television campaign"

Gocompare.com launched in November 2006. Prior to this, comparison sites focused purely on price. This meant insurers were stripping back on the additional cover provided within a policy so that they could reach the top of the comparison tables.

This ultimately resulted in consumers purchasing policies at a lower price, but not necessarily getting the right cover for their requirements.

Our aim was to make the purchase process easier and more satisfying in terms of the quality of the product. The solution was to build a service that would allow online shoppers to compare insurance policies not only on price, but also by product features.

When we launched, the price comparison market needed to evolve.

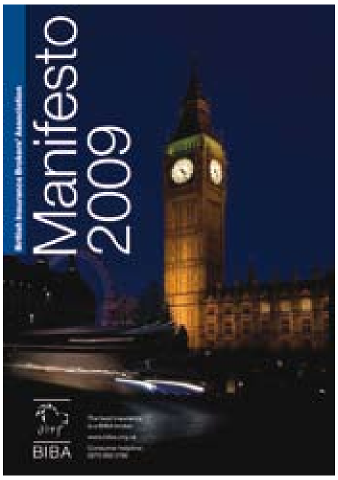
Price will always be a key factor, but our approach ensures the consumer knows exactly what they are getting for their money. Consumers now completing a search through some comparison sites can clearly see the levels of cover on offer.

We have focused primarily on TV advertising to help build the brand, as well as communicate our message. This has been supported by radio advertising, outdoor sponsorship and online advertising.

And PR has been useful for us. We work with an agency and have an in-house PR manager. PR is an excellent way to communicate our approach to insurance comparison. At the time of our launch, comparison sites were being heavily criticised for practices such as the use of assumptions and providing estimates, rather than guaranteed quotes. PR explained how our approach has helped to evolve the market.

Probably the biggest success has been the integration of the online paid search campaigns with the offline national television campaign. By carefully planning both campaigns at a granular level, we have been able to grow both successfully, while controlling cost and delivering a sustainable return on investment.

In terms of advice, I would say be clear on what you want to achieve for your marketing campaigns – decide if you want to achieve fast brand growth or controlled growth, while closely monitoring costs. Be flexible and prepared to change marketing plans as competitors enter the market or as external market forces change.



BIBA *Manifesto 2009*

BIBA launches *Manifesto 2009*

BIBA has launched its *Manifesto* for 2009 which outlines its five key campaigning issues: access to and availability of insurance, business resilience, regulation, UK and Europe and motor.

The *Manifesto* is used to explain – in a succinct and straightforward way – what the most important insurance matters are affecting businesses and consumers and explains the role of brokers, along with the benefits of independent, expert advice.

According to Chief Executive Eric Galbraith: "In a recession, many consumers and businesses look to reduce their costs and as a result could stop buying insurance or reduce their expenditure. This could have catastrophic effects and undoubtedly worsen the economic crisis if firms and individuals are without protection. Using a broker is likely to be the best way to obtain affordable cover."

He continues: "We have seen the devastation which followed floods and how homeowners without cover were affected. For businesses, being without insurance could mean the difference between closure and survival."

The *Manifesto* can be found on the website at: www.biba.org.uk/PDFfiles/Manifesto09.pdf

Simon Bolam awarded MBE

Simon Bolam, a former BIBA Chairman, has been awarded an MBE in the Queen's New Year Honours List for services to the insurance industry.

Simon, 66, is also a former CII President and is currently Chairman of the FSA's Smaller Businesses Practitioner Panel. For many years, he ran Edinburgh brokerage EH Ranson – now managed by his daughter – although he now only works there occasionally.

He explains his focus now is FSA work. The panel focuses on the regulatory interests of some 20,000 businesses. "It's fulfilling work, because you have the opportunity to make a difference. The regulator is always going to be criticised, but I have always found they do want your input and everyone from Hector Sants downwards has an open door policy," he says.

It is understood numerous senior people within the insurance sector nominated Simon, who has put in thousands of voluntary hours on top of running a thriving business. "It was a complete surprise to hear about this. Apparently my wife was asked to send my CV to the Cabinet Office, but she did this without telling me. Later, I was in the FSA when I was taken to one side and then saw two bottles of champagne were on ice."

Simon is now waiting to hear when he can collect the decoration and plans to make the trip to Buckingham Palace for the ceremony.

Simon Bolam's years of dedication have been recognised

A new look… and a new address

BIBA

Members may have noted that BIBA has benefited from a rebrand. This is being used across the website, corporate literature and stationery.

Communications Manager Leighann Burtrand comments: "We wanted to retain the BIBA lion and use of the colour blue, but to show a more modern image – we're delighted with the results and have had some excellent feedback."

Graham Cook, Director with design agency beetroot, adds: "This is a subtle evolution. We have used clean lines and removed heavy borders throughout to create a look which is fresh and professional."

BIBA also now has a new address and is based at 8th Floor, John Stow House, 18 Bevis Marks, London, EC3A 7JB. Our telephone numbers remain unchanged.

Responsibility: BIBA's Peter Staddon

Peter Staddon joins the board of The Insurance Charities

Peter Staddon, BIBA's Head of Technical Services, has been appointed to the Board and the Grants Committee of The Insurance Charities, which gives financial and practical support to past and present employees of the insurance industry, and their dependent relatives.

He joined the Grants Committee for his first meeting on 12 February and his appointment will give him involvement in the allocation of charitable funds, the strategic direction of the charity and acting as guardian of the charity's assets.

"I am delighted to take on this very important role at a time when the charity is most likely to make a positive financial impact on the lives of those from our industry. I look forward to using my industry knowledge to contribute to this worthy cause and challenging the industry to provide greater financial support during these tough economic times," he says.

The Insurance Charities exists to help an individual – or a dependent relative – who has spent at least five years in the insurance industry in the UK or Ireland, regardless of the nature of their employment, but where that service has been the major part of their working life.

Subject to approval, the charity provides numerous benefits including:

- ongoing long term payments to supplement insufficient income
- one-off payments, eg, for property maintenance or purchase of appliances
- ongoing short term help with exceptional expenditure over a limited period, eg, private physiotherapy/speech therapy
- limited help during a first degree course for students of long serving insurance employees, particularly where there is family financial hardship.

Annali-Joy Thornicroft, Chief Executive of The Insurance Charities, says: "Peter's experience and knowledge in the industry will greatly benefit the charity and we look forward to working with him in the coming months."

BIBA members were represented at the BIPAR meeting in Budapest

Senior BIBA executives attend BIPAR Budapest meeting

Eric Galbraith, BIBA's Chief Executive and Graeme Trudgill, Technical and Corporate Affairs Executive, recently attended BIPAR's mid-term meeting in Budapest, Hungary.

BIPAR is the European Federation of Insurance Intermediaries, and represents the public affairs interests of insurance intermediaries with European institutions.

Eric comments: "It's vital we remain fully engaged with Europe. There is the huge impact of European legislation and we have to make sure we can be involved early enough to influence this. In addition, a growing number of BIBA members are doing business in Europe."

Eric gave a presentation on BIBA's current position on the market solution around transparency, conflicts and status disclosure. The meeting covered a number of issues, including co-insurance, passporting, insurer security and the IMD implementation review. BIBA will be working with BIPAR on these over the coming months.

We highlight the risks to the insurance sector from the credit crunch and the difficulty of obtaining cover for pre-existing health conditions

Press briefing

Recession puts pressure on premiums and increases cancellations in cover

The credit crunch threatens to blow a cold chill through the world of insurance, which may surprise some involved in the business. From motor, to household and life, cutting back on premiums should be a last economy. As such, insurance should be recession-proof.

Far from it. For some consumers, premiums can be among the first items chopped from regular expenditure. With this in mind, insurers are bracing themselves for a surge in claims and disputes involving uninsured drivers, consumers with inadequate protection, and fraud.

And, according to the Association of British Insurers, commercial insurance saw a huge leap in fraudulent claims during the last recession.

The Financial Ombudsman Service has already seen an upswing in disputes between consumers and companies across all spectrums of the business, and is predicting a 57 per cent rise in complaints about motor insurance alone.

'Fronting' is another area expected to grow as consumers try to cut costs. It even featured recently in a plot line in *Coronation Street*. This is where someone, usually a young motorist, seeks to cut costs by insuring the car in someone else's name, and then adds themselves on as an additional driver.

However, if it comes to light after an accident, an insurer might refuse to pay up, or, where it is legally obliged to do so, seek to recover costs from all those involved.

It is not easy to stop paying premiums on buildings cover if you have a mortgage, but it is possible in some circumstances and could be catastrophic where households go on to suffer a flood or fire.

And customers may cancel their contents protection in soaring numbers, which can also be a huge mistake, given that burglaries typically rise as the economy slows and unemployment explodes.

Again, brokers can help consumers cut costs yet maintain cover by carefully examining their protections to see if, for example, they are over-insuring and by pointing out areas of double cover. In times of hardship, the role of a good broker who can help find affordable cover, is more important than ever.

Teresa Hunter is Personal Finance Editor of *Scotland on Sunday* and contributes regularly to *The Telegraph*.

> "Insurers are bracing themselves for a surge in claims and disputes involving uninsured drivers, consumers with inadequate protection, and fraud"

Teresa Hunter

BIBA tells travel insurers to play fair

One of the most common reasons for consumers to call BIBA's helpline is linked to problems with finding travel cover if they have a pre-existing health condition.

Ensuring that cover is accessible is a key part of BIBA's *Manifesto*. As BIBA's Graeme Trudgill, Technical and Corporate Affairs Executive, says: "If someone has been cleared by their doctor to travel, then we think it is unfair they should have a battle to obtain a fairly-priced quote."

Daily Mail Journalist Sadie Nicholas recently wrote about the experience of trying to find affordable cover for her mother, who has cancer. She was quoted £600 for a five-day trip to the south of France, while others refused to offer insurance.

According to Sadie, Macmillan Cancer Support says many of those with cancer find it hard to obtain travel cover and that one in 13 travel without any insurance – and the British Heart Foundation reports similar problems.

Sadie says that given that there are an estimated 1.8 million people living with cancer in the UK – and millions more with other serious illnesses – who are living longer, this is a huge issue.

BIBA will continue to campaign and lobby on this issue. "We want insurers to recruit call centre staff to deal with enquiries compassionately. We're also working with the Government on an Equality Bill aimed at ensuring a fair system," says Graeme.

He advises: "Choose your destination carefully. Consider whether it has good medical facilities close by. Asking your consultant to put your suitability to travel in a letter you can present to an insurer can also help." BIBA is recommending that the Government introduces a 'signposting system' and route customers to brokers who can help.

For the best insurance advice, find a broker

A commercial insurance contract – even for the smallest company – is riddled with complexities. However, as BIBA has found, many buyers could come unstuck by believing they are receiving advice when all they are getting is information, as **Rachel Gordon** explains

The direct market for commercial insurance is now well established and advertising for this would suggest it is a straightforward and cost-effective way of buying cover. However, recent research conducted by BIBA found that a third of micro small and medium-sized enterprises (SMEs) not using a broker failed to realise they were not receiving advice and were probably only being offered the products of a single insurer or provider.

This has to be of concern. These business owners could find they come unstuck if they have not had certain terms and exclusions pointed out to them or understood security requirements, for example. After all, SME owners are often far too time-pressed to read all of the conditions of an insurance policy.

Eric Galbraith, BIBA's Chief Executive, says: "It is clear there is confusion among SME buyers on insurance and we have suspected this for some time. It is worrying to think these firms could end up with inadequate or even the wrong cover because they did not receive advice or a recommendation."

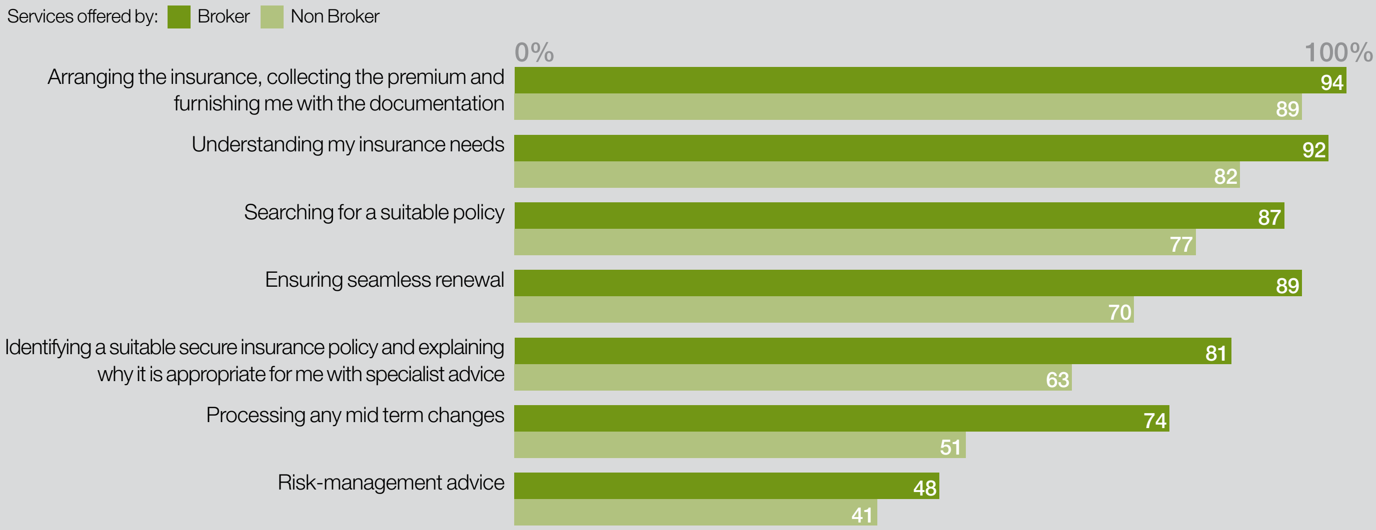
As with personal lines, the SME market is cut-throat in its competitiveness with the hard sell from a variety of distribution channels. SMEs have plenty of choice when it comes to buying cover.

Last November, RSA conducted research which found that one in 10 small business owners can no longer afford to operate due to the credit crunch and global financial upheaval, that 56 per cent had raised their prices to cover rising costs – and that seven per cent would cut back on cover to save money.

This may seem a relatively low figure, but the economy is now in a worse state than in 2008 and without doubt, more are now looking at ways to stay

"I would stick with the broker because of the advice I got and the fact that there was more than one product available – much better than just sticking with one company who can only give you one product"
(Customer feedback)

Customer understanding of the services offered by brokers and non-brokers



Base: 159 (broker); Which of the following services does your insurance broker offer?
Base: 91 (non broker); Which of the following services does your provider offer?

"I would put advice above the premium if it was ranked, it's very important for us… it's about having adequate cover"
(Customer feedback)

afloat. BIBA believes it is vital that SMEs have the right insurance in place and that brokers do far more than just sell a product.

Brokers can offer a full range of services including risk management, recommending insurers for their service levels and last but not least, provide assistance in the event of a claim. There are many occasions, where had it not been for the intervention of a broker, that a claim would have either been refuted or reduced payment made.

Eric adds: "Our research demonstrates that there is a lack of understanding about advice among the SME market. BIBA will be raising awareness of this with the Government, business groups and the media. Brokers should also explain what they do and how they can help SMEs. Brokers simply need to ensure that potential and existing clients know what they do on their behalf and provide ongoing advice and guidance.

"In our research, micro SMEs were paying an average premium of £2,500 and, in some cases, more. It is a serious purchase for these firms – and we are convinced in almost all cases it should be an advised one."

BIBA's SME research – key findings

Lack of understanding as to what constitutes advice

- There is a lack of understanding among SME business owners as to what advice entails; 33 per cent of SMEs not using a broker to arrange their business insurance did not understand that they were not receiving advice and were probably only being offered a single product.

Extremely high satisfaction levels among broker clients

- Once an SME client has used a broker, it is clear that its service is appreciated. The research found that 96 per cent believed advice was important.

A majority of those not using brokers think a 'suitable' product is being sourced

- Among both those who use a broker and those who do not, there is confusion as to where they can obtain advice; 63 per cent of SMEs who did not use brokers said they received the service of identifying a suitable secure insurance policy and specialist advice.

Despite competition, there is strong loyalty in the broker market

- Nearly all – 95 per cent – of SMEs who use brokers said they are likely to continue using their services for their business insurance when it next falls due for renewal. Two-thirds of the sample were very likely to do so. In fact, there is a great deal of loyalty with 73 per cent of SMEs having used the same broker for more than six years.

Brokers understand their SME clients' businesses

- More than two-thirds of SMEs (who used a broker) regarded it as very important for their broker to understand their business. When asked whether their broker understood their needs in terms of risk exposure and protection of assets, an overwhelming 92 per cent said they did.

Clients appreciate that taking the cheapest option may not be the best move

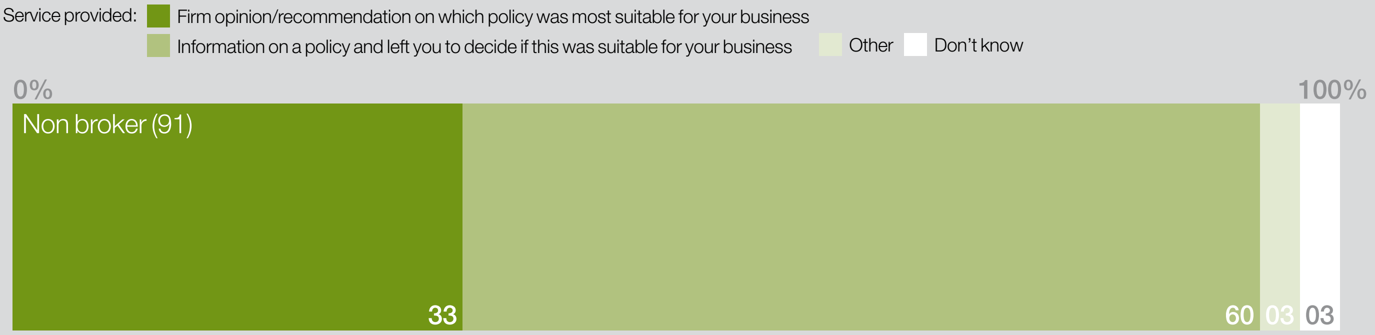
- We found that SMEs who use brokers understood that the cover provided by the policy was as important a factor in the buying decision as was the total cost. In our sample, 84 per cent thought that the cover was very important. As far as cost was concerned, only 67 per cent thought this was very important. Clearly, SMEs using brokers appreciated that, in the commercial market, cheapest is not always best.

High levels of recommendation

- In addition, 87 per cent of SMEs using brokers said they are likely to recommend their broker to a member of their family, a friend or a business associate. Among those who are likely, more than half (53 per cent) have done so

The report was prepared by NMG Financial Services Consulting. NMG interviewed 250 SME decision-makers, two-thirds of whom used insurance brokers to arrange their business insurances.

Explanation of the service offered to customers by non-brokers



Base: 91. Which of the following best reflects the service provided?

Self insurance works for SMEs

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

By Peter Niven, Chief Executive of Guernsey Finance

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

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

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

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

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

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

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

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

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

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

Interested in hearing more?

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

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

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For your eyes only

Brokers spend much of their time dealing with personal data, but how many are aware they can be fined by the Information Commissioner if they fail to look after this properly? asks **Stephanie Spicer**

In May last year, the Criminal Justice and Immigration Act received Royal Assent creating tough new sanctions for the privacy watchdog, the Information Commissioner's Office (ICO). This new legislation gave the ICO the power to impose substantial fines – which are still being negotiated – on organisations that deliberately or recklessly commit serious breaches of the Data Protection Act.

Businesses can be fined for deliberate or reckless loss of data and the key question for insurance brokers is whether there is room for improvement in their data protection processes.

The view from Information Commissioner Richard Thomas was: "This change in the law sends a very clear signal that data protection must be a priority and that it is completely unacceptable to be cavalier with people's personal information. The prospect of substantial fines for deliberate or reckless breaches of the Data Protection Principles will act as a strong deterrent and help ensure that organisations take their data protection obligations more seriously."

So what do brokers need to be aware of? Basically, anyone who processes personal information must comply with eight principles. These make sure that personal information is: fairly and lawfully processed; processed for limited purposes; adequate, relevant and not excessive; accurate and up-to-date; not kept for longer than is necessary; processed in line with client's rights; secure and finally not transferred to other countries without adequate protection.

Certainly many brokers could learn from the example of Alan Boswell Group, a BIBA member providing general broking and with an IFA arm. The company has more than 150 staff based in Norwich, Attleborough and Bury St Edmunds.

Director Richard Hartley explains: "We treat data protection as just another aspect of the compliance regime governing our business. And, like most compliance requirements, once you've got to grips with it, having a robust data protection policy makes sense from a business perspective. In addition, there's an overlap between ICO data protection requirements, FSA guidance on the matter and the PCI Data Security Standard (PCI DSS). Consequently, we've found that compliance with any one of these helps with the others."

He admits there are aspects of data protection compliance which have added an

Data savvy: Director Richard Hartley

"Once you've got to grips with it, having a robust data protection policy makes sense from a business prospective"

extra administrative burden and considerable expense to the business – but the risks of failing are too great to ignore.

"We're fortunate enough to have a dedicated compliance team here which works with the business to ensure we're meeting the required standards. The compliance team pulled together resources such as the FSA's *Fact Sheets* and ICO's *Audit Guides* to help us conduct a gap analysis of our data protection regime. This enabled us to identify any weaknesses and introduce changes if necessary. It's an ongoing process and it has to become part of the culture of the business. You can't just complete a checklist and then move on; systems and procedures are always evolving and data protection legislation must be taken into account at every stage."

He points out is also easy to forget that data protection obligations extend to some time-consuming tasks, such as checking the security arrangements and staff-vetting policies of third-party suppliers who could have access to customer data – typically IT contractors and software vendors providing remote support. "I think this is an area that will get progressively easier as suppliers become more accustomed to receiving requests for such information and have statement of practice and security policy documents readily available for inspection."

One of the most basic steps an organisation must take is notification. Notification is a statutory requirement and every organisation that processes personal information must notify the Information Commissioner's Office (ICO), unless they are exempt. Failure to notify is a criminal offence.

An organisation's data controller must inform the Information Commissioner of certain details about their processing of personal information, which are used to make an entry describing the processing in a register of data controllers available for the public to see.

A spokesman for the ICO says: "We recently prosecuted a solicitor in London for failing to notify under the Data Protection Act. Any organisation that is processing personal information has to notify the ICO that they are doing so. The vast majority of organisations comply and process people's information in line with the Act – where they don't, we will remind them, and if they still flout the Act we take enforcement action."

The ICO's line is that data protection is a matter that should be treated as part of corporate governance and it has plenty of guidance available. Richard Thomas, the Information Commissioner, refers to data protection as people protection.

The ICO spokesman adds: "The Commissioner is very concerned to highlight the need for boardroom and corporate executives to take the matter of data protection very seriously and see it as a part of corporate governance. Record management and having effective management procedures we are told is good for business."

ICO research shows that most organisations are strong advocates of the Data Protection Act, with 95 per cent saying it is needed. Adhering to the principles of the Act makes good business sense, with 87 per cent of organisations saying the Act improves customers' trust.

Graeme Newman, Business Development Director at CFCU Underwriting, says: "The key point for brokers is that in the event of breaching the Data Protection Act, which is one of the best forms of guidance as to how you should be insuring data, it could very clearly give rise to a breach of the duty of care brokers owe to their clients. If they don't comply with the data protection rules, there is every chance someone could also bring a private action for breaching that duty of care in terms of protecting that data."

It is not clear to what extent brokers are as fully up to speed with their data protection responsibilities. Graeme says like any industry it ranges massively.

"Some brokers have engaged with third-party outsourcing companies to manage the security of their systems, other brokers won't have the first clue about it," he says.

"I suspect it is not one of the things on top of their priority list. In the UK, there hasn't been any major track record of people being fined or sued for privacy breaches. Unlike the US, there is no obligation to notify when there is a breach of security, which means you can just sweep it under the carpet so when you are looking at potential threats to business, it doesn't rank up there as one of the highest. People are less careful."

He adds: "In what is now a very competitive market, clients are handing over very sensitive information about their business. If you end up with a reputation of being someone who doesn't look after that information, then you are likely to suffer significant reputational harm."

The ICO is encouraging organisations to sign up to the Personal Information Promise to show individuals that they are committed to safeguarding their personal information.

The ICO is keen to emphasise that signing up is a message to customers and other people that brokers are doing business with that the company is complying and taking data protection seriously. Beyond this, the costs for flouting the Act are more than financial, so why risk it?

A harder market

Ralph Savage examines the extent to which reinsurers have been affected by the global financial crisis and what the implications will be for UK insurers

January is a characteristically hectic period for the reinsurance market and the 2009 renewal season was no exception. In the midst of financial meltdown, substantial catastrophe losses and the withdrawal of capacity from key global markets, the expectation was that a significant rise in rates would ultimately filter down to UK general insurers as supply outstripped demand.

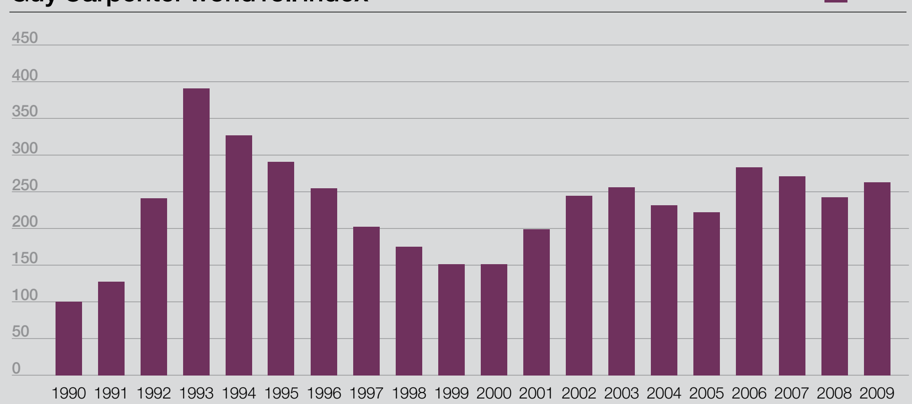
However, as the dust settles on the 1 January renewal season, many commentators vary in their assessments; some identifying a hardening market for UK cedents, while others admit this year's scramble in many ways remained as competitive as ever.

As a global overview, the world ROL (rate on line) Index gained eight per cent (see graph), after two years of substantial declines, according to global broker Guy Carpenter's January renewal report.

However, it pointed out that despite the magnitude of catastrophes and financial losses, the turnaround in pricing was "substantially less pronounced" than those that followed Hurricane Andrew in 1992, the terror attacks of 11 September 2001, and Hurricanes Katrina, Rita, and Wilma in 2005.

This is where the key difference between 2009 and previous years is best illustrated. Perceived market-changing events in the past two decades have always been driven by claims, and this meant a subsequent rise in rates would inevitably follow.

Guy Carpenter world roll index *



David Ross, Chief Executive Officer of broker AJ Gallagher, explains that many of the top names in the global reinsurance marketplace were considering this because the 2008 hurricane season had been the third worst on record; and as their capital base was also continuing to sink in value the global reinsurance market was now not simply dealing with a large loss or 'event year' alone.

"In the third quarter of 2008, Munich Re, Hannover and Swiss Re all reported substantial year-on-year losses and their executives were presenting at events such as Baden Baden and the Monte Carlo Rendezvous talking about a really tough renewal with 20 per cent increases across the board," he says. "The insurance buyers – because there are fewer of them and they are buying on a global basis – have pushed back quite hard and I think they were able to agree to rate increases in certain areas but succeeded in levelling out some of the more generic business lines," he comments.

Valuations

The double hit of event year losses and investment write downs is explained further by Clive Tobin, Chief Executive Officer of new reinsurance market entrant Torus. He says all insurance firms, not only reinsurers, have had a difficult time valuing their investment portfolios. Clive reveals the situation is particularly complex for those needing to match assets against long tail liabilities because accounting rules have forced them to price these assets – in some cases, at record low levels.

He says: "Fair value accounting rules require assets be valued at their current market price or 'marked to market'. Mark to market hits have occurred in asset duration matching, meaning that an insurer may have had a portfolio which was expected to mature over a specific period of time to match their liabilities. Companies writing very long tail business would have long tail assets and are therefore more likely to suffer write downs.

"Are those investments really impaired or is it just a timing issue?" he continues. "If they have bought them to match their liabilities and they are going to hold them to maturity, then the mark to market issue is not a true economic loss."

So where has this turmoil left the buyers in 2009? According to Aon Benfield's assessment of UK cedents' property catastrophe renewals this year, the picture has been relatively calm. Despite its report on the global market being littered with bad news, it pointed out that "UK programmes that might have been expected to benefit from a material reduction in modelled loss tended to renew at expiring prices".

Similarly, Guy Carpenter's review showed that in the UK, risk pricing was between -5 per cent and flat. "Driven by experience rather than exposure. Catastrophe pricing ranged from -2.5 per cent to 5 per cent (see box) on a risk-adjusted basis, with rate changes closely linked to exposure," says the report.

The buyers have held their cards close to their chests, with Norwich Union, Fortis and Groupama among many others choosing not to comment about their own outward reinsurance programmes.

Guy Carpenter's report reveals: "Deductibles were similar to 2008, and catastrophe buying was driven more by capital management considerations with reinsurance being seen as an efficient means of securing contingent capital, especially against the background of the financial crisis. The cost and availability of external capital caused markets to seek higher rates, with Bermuda-based firms among the firmest in this stance. Loss of surplus led carriers to pursue outside financing, and favourable pricing made reinsurance the easiest way for primary insurers to bolster weakened capital positions."

Thomas Herde, Senior Vice President at Guy Carpenter, explained that in long tail lines, casualty treaty reinsurance outside the United States was unchanged in most areas, "though there were pockets where prices rose – despite the shrinking of many cedents' premium incomes.

"Programmes in specific classes, such as financial institutions, or with deteriorating reinsurance results, sustained the highest price hikes. Cedents did have access to an increasingly diversified group of reinsurance markets, putting pressure on established traditional reinsurers. Many are beginning to turn over their reinsurance panels, and the London and European branches of Bermudian reinsurers are the primary beneficiaries – at the expense of traditional European reinsurers."

Regions	ROL Change 2009 vs. 2008
United States	Wide range, average about 11.0%
Continental Europe	0% - 10.0%
United Kingdom	-2.5% - 5.0%

"The insurance buyers – because there are fewer of them and they are buying on a global basis – have pushed back quite hard"

David Ross
Chief Executive Officer
AJ Gallagher

Diana Honey, Relationship Director within the financial institutions business of Lloyd's TSB Corporate Markets, points out that rates have been hardening since 1 January largely down to the impact of hurricanes, as well as a result of the reduction in capacity. "AIG is now less engaged and we have seen a fall off in its level of activity in the market. Generally, what we have seen is a trend where many insurance companies are holding more on their balance sheets as the price of reinsurance is increasing."

Diana says that she recognises the UK is now likely to be at the mercy of global events, despite brokers' reports suggesting 2009 renewals had been relatively pain-free: "Cover is undoubtedly more expensive, in particular in cat exposed regions. This is due to a combination of 2008 hurricane and investment losses weakening many balance sheets and the withdrawal of many of the alternative forms of reinsurers (such as hedge funds writing collateralised cover) and a decline in the issue of insurance-linked securities.

"Inevitably, the impact of these factors will filter through to the ceder and the corporations purchasing the cover."

So UK general insurers could be heading for a rise in rates according to Diana and if her final point is anything to go by, the negotiations could be intensified as consolidation among brokers has increased. "There is expectation in the market that reinsurance brokers will become tougher negotiators due to their increased size and importance in the distribution chain," she says. "But we are not seeing that shift just yet."

is on the horizon

Facing up to change, whenever it happenz

A meeting of minds: Zurich Managing Director, Broker, David Smith, left with CEO Guy Munnoch

Zurich's **Guy Munnoch** and **David Smith** talk to Rachel Gordon about the insurer's strategy for the future

"We sought to make things as swift as possible – it was something that had to happen, but it is a hard thing to do"

Zurich always had a reputation for quietly going about its business, but in recent years the company has adopted a far more open approach, promoting both its people and its broker proposition.

Certainly Chief Executive Officer Guy Munnoch and Managing Director, Broker, David Smith are ready to talk about where they see the market going, the role of intermediaries and surviving the economic crisis.

Most recently, the insurer turned in commendable results, considering the state of the economy. Gross written premium was £2.097 billion for 2008, a two per cent increase on 2007. And in 2007, the combined ratio improved to 95.7 per cent. Business operating profit was £295 million, up from £91 million.

However, last year the company also said up to 900 jobs out of its 5,300-strong workforce would go. According to Guy, making redundancies is the worst part of his role and tougher, he says, than anything else. "I believe in telling people face-to-face and what struck me was the dignified way it was handled. We sought to make things as swift as possible – it was something that had to happen, but it is a hard thing to do."

He says the company is now in a stronger position to deal with the downturn and is bullish about future prospects. Although Zurich was tipped as a likely suitor for RBIS, the deal fell though. He does not rule out acquisitions.

"We've been through a restructure a few years ago and are focused purely on sectors where we believe we can become market leaders. I think insurers are now being looked at as well-run businesses – I admire both Norwich Union and Allianz, for example. They know where they are going. You need to stick to the knitting and this is what also affected AIG, a company which was looked up to. There is also a lesson here for the banks."

Guy has been with Zurich for 11 years and was previously Chief Executive Officer of Zurich Commercial and Municipal and previously worked for Norwich Union and Allianz (then Cornhill). Before that, he was in the army.

More recently, Zurich has spoken out against unsustainable rates. An area where others have said rises are needed, but have failed to act. Zurich, however, put through double digit increases at the start of the year.

Meanwhile, at the end of last year, Zurich successfully challenged a decision linked to asbestos claims. The case centred on the issue of the employers' liability policy trigger and Mr Justice Burton ruled that insurers of employers that expose their employees to asbestos dust are liable to pay compensation for subsequent asbestos-related diseases such as the fatal mesothelioma.

Zurich challenged several run-off insurers who argued that compensation should be paid to victims (under the policy in force) only when the individual became ill, potentially many years after they were exposed to asbestos dust, and by which time (in many cases) no such policy existed. The judgement provided clarity as, unlike public liability policies which are triggered when a disease occurs, employers' liability is triggered when the injury is sustained.

Guy comments: "In this case we were in the right and these run-off insurers were trying to avoid their obligations. We had to fight this." However, he says the next major concern is with pleural plaques. A court has found that the anxiety caused by having this condition is a basis for damages.

Analysts estimate the potential cost of pleural plaque claims to the British insurance industry at between £200 million and £1.4 billion over the next 35 years.

He says: "Where there is disease and where we are liable I want claims paid as quickly as possible. But where there are no symptoms, this could mean another huge burden for insurers. Already, we have seen cases in Scotland and now the rest of the UK could be following suit. We are keeping a very close eye on this."

Claims

As someone with a background in claims, Guy says he believes more should be done across the industry to promote this aspect of insurers' work. "It's what we are about, but too often, insurers are just focusing on price. Our marketing campaign about the Zurich Help Point is a claims message – we need to be more visible in what we do and this is what secures loyalty."

He is also passionate about the industry cracking down on fraud. "I know our people do a fantastic job, as does the Insurance Fraud Bureau. But I think we also have to work hard with the media on this. I know from my days at Municipal that the costs of public liability fraud add to local authorities' costs and are pushed onto council tax payers

David and Guy walk the talk

"We get around 65 per cent of our business from brokers and I must know what they think of us and what we can do better"

as well as meaning increased premiums. The recession is going to mean more insurance fraud and we have to show it is unacceptable."

Broker network

In terms of brokers, Zurich has a large agency base, with more than 3,000 on its books. David says there are no plans to reduce numbers, but they are falling off in any case as a result of consolidation, retirement and the growth in network membership.

A few years ago, Zurich took a stand against some of the allegedly high commissions being paid to some of the major consolidators. "This is a difficult area. I am glad we made our position clear when we did – it is harder to go back and say you are going to cut commission. I can see that delegated authority schemes should earn more, but at the same time, brokers should look at rebating some commission to customers where appropriate and making more use of electronic trading. There has to be realism, particularly now."

Even though some brokers may be cynical about insurers' attitudes towards them, one fact is clear; David Smith is genuinely immersed in their sector. Certainly this is to develop business, but he is also someone known for being approachable and willing to listen to complaints.

Says David: "We get around 65 per cent of our business from brokers and I must know what they think of us and what we can do better. We have to take criticisms on board. I speak to at least five brokers a week in depth. They have taught me a lot of what I know – and my job would be meaningless if I was not doing this. They don't want fluff from me and broking is all about having strong business relationships."

Zurich offers its brokers 10 core propositions, namely, corporate, SME, packages, personal lines, property investors, construction, high net worth, yachts, marine cargo and financial lines. David adds: "We believe in providing access to underwriters and quality service."

He claims that the redundancies will not impact on broker service. "They are out of the way now and most were back-office roles which were not linked to brokers. I think the brokers who know me will realise how aware we are of their importance. Winning business is tough and more rate rises are likely, although we don't see these as being draconian – my message to brokers if they like working with us is to stop recycling business for the sake of it and to think about finding longer-term good deals."

Ready to launch Delivering Value

The BIBA team is going full steam ahead to organise this year's conference, as organiser **Lindsay Campbell** (above) explains

Sitting at my desk here in BIBA's new offices, it's really quite extraordinary to think back to last July/August when we started planning for the Manchester 2009 conference.

At that time, with very few hints that the economy was heading into uncharted territory, we were contemplating a return to one of our most popular venues, following our recent record successes in London and Glasgow. Both conferences were extremely well attended by delegates and exhibitors and, looking back through the feedback forms, it appeared we had organised two excellent events.

Perhaps sensing that 2009 would be a tougher trading year, the BIBA team came up with the title of Delivering Value wanting to concentrate both on BIBA's delivery of value to our members but also on our members' service to their clients. Since then, of course, the world has changed dramatically and it seems inevitable that the 2009 conference will go down as the 'credit crunch' event.

However, since Christmas, echoing a certain Treasury Minister, we think we can detect a few green shoots, perhaps suggesting that the broking industry is in a better position than many to weather the downturn.

At this early stage, we have had a great deal of delegate interest and registrations are beginning to come in steadily. And it's very pleasing to see that our exhibitors are continuing to view the BIBA conference as the place to do business with the broking channel. So, while it's unlikely that Manchester will be another record-breaker, we are really focused on providing as much value for our audiences as we possibly can. We want our delegates to say that attending BIBA 2009 was a turning point for their businesses, in what is set to be a very difficult year for us all.

Manchester Central

More affordable and accessible than ever

New ticketing initiatives

- Free entry for all staff at every BIBA member company. Completely flexible entry, available for all three days, or just one session.
- Free entry into the exhibition for all brokers and intermediaries.
- Heavily-reduced ticket prices for intermediaries wanting to trade up to a conference ticket.

New exhibition initiatives

- New online exhibitor profiles with detailed product and company search features, allowing delegates to maximise their time in the hall.
- Opportunities for delegates to pre-arrange meetings with individual exhibitors.
- Meeting zones for impromptu private meetings within the exhibition.
- Extended recycling points.
- Faster registration system, allowing delegates to avoid queuing.
- More casual seating.

New conference initiatives

- Ten highly-focused seminar sessions, including practical sessions on surviving the downturn.
- Continued investment to ensure the best speakers on the global conference circuit. Fantastic line-up of keynote speakers, to entertain, motivate and educate.
- Four seminar streams on Thursday's opening session. Additional stream courtesy of new seminar sponsor, RSA.

Find your way around the UK's biggest insurance exhibition

For many delegates, the BIBA exhibition is a major attraction in its own right, allowing delegates the chance to assess new products, meet new people and investigate new market opportunities. But the sheer size of the exhibition, with around 150 exhibitors, has left some delegates with some difficult decisions to make.

How much time can be spent in the hall and how many exhibitors can be met over the three days? One delegate estimated that even if he took five minutes at each stand, it would take him more than 14 hours to get around to everyone!

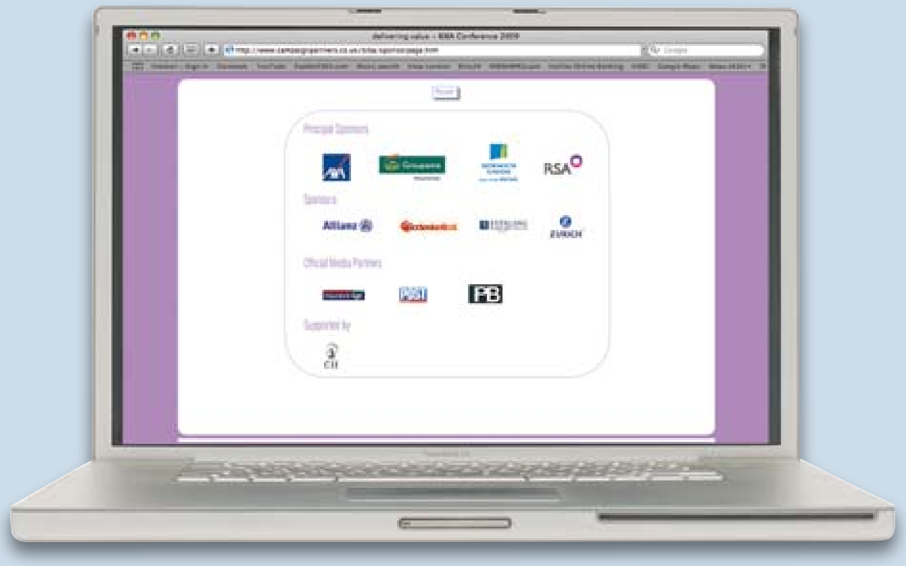
So a substantial amount of work has gone into a redesign of the conference website, so that additional details can be found on each exhibitor. As well as an alphabetical list of all confirmed exhibitors, each has been categorised by product offering as well, allowing delegates the chance to select a particular sector and search for exhibitors providing this service.

As many as 29 separate categories have been listed, from BIBA scheme providers to medical malpractice, and from claims management to legal services. The section also allows exhibitors to announce any special promotions they may be running at the show, or whether a new product is being launched. Delegates can also contact the exhibitor directly, before the show, to arrange a time to meet during the conference.

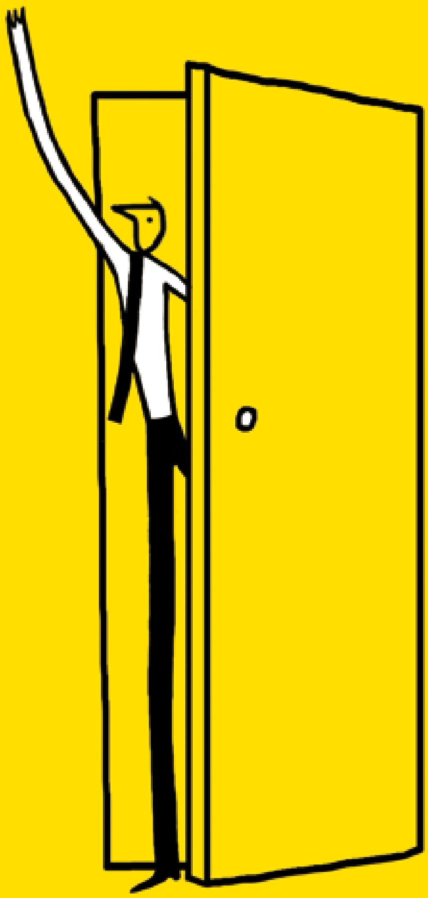
Navigating the conference website

Access to the conference website is via the main BIBA site. Click on the Delivering Value icon, which will bring you to the opening sequence of the BIBA bird flying across your PC. The next page lists our sponsors. Clicking 'proceed' will take you into the main home page, where you have a choice to select either the delegate section or the exhibitors section. Choosing the delegate section will take you to the 'public' face of the conference, where you can look at the programme, read about the speakers and their sessions, consider the two social evenings and finally book your place and a hotel room.

Within the icon list on the left hand side, selecting 'Exhibitor list/Product search' will take you to the 'Exhibitors area', where you can get details on specific products being launched or specific promotions being run.



Don't miss our last ever BIBA Conference



It's been quite a journey since we began in March 1797, as the Norwich Union Fire Office. So this year at BIBA, it seems only right to mount a little celebration of our heritage. Come and join us on Stand H12, to travel back in time and take a look at some of the highlights... and help us bid Norwich Union a fond farewell.

NORWICH UNION
Soon to be AVIVA

BGNAG7745

Don't miss the BIBA video podcasts
As part of the promotion of the 2009 conference, another new initiative to deliver value to the marketing programme has been devised. A series of video interviews will be filmed and edited versions will be accessible via the conference website.

Ian Mantel of Manor Insurance, Sharon Watts of Hayes Parsons and Ian Dickinson of the Brunsdon Group speak to Rachel Gordon about how they see the market, what opportunities they feel exist and why they will be going to this year's conference.

See you there!

Brokers explain why they'll be attending Delivering Value

"I'm particularly looking forward to this year's conference," says Vida Wilson, Associate Director with Jardine Lloyd Thompson. "There is no substitute for meeting people face-to-face and when there is so much fluctuation going on in the market, it will be even more valuable to talk to others and find some new ways of thinking."

Vida has attended numerous BIBA conferences in the past and says some of her favourite speakers included broadcaster and writer Ian Hislop, adventurer Bear Grylls and singer and political activist, Sir Bob Geldof. "BIBA always finds diverse people that stick in your memory. I liked Sir Bob's passion, Ian's humour and Bear was inspirational."

At the London conference two years ago, Vida also came up trumps when she entered a Norwich Union competition, being run on the insurer's exhibition stand. "I had a phone call telling me I'd won two tickets to the England v France Rugby World Cup game. I took my granddaughter and we had an amazing time, being taken first class by Eurostar to France and enjoying VIP hospitality. Another treasured memory is of when the conference was held in Belfast and attending the Chairman's Dinner at Stormont."

Vida remains an active BIBA committee member as the region's secretary. For the current Chair, Julie Blakeley, this will be her first time at the conference. "I'll be there for the duration and that includes the gala dinner – I'm really looking forward to it."

Another first-timer, although only in terms of his relatively new company, is Stuart Reid. Although a seasoned conference attendee, this will be the inaugural appearance of Bluefin as an exhibitor.

The Chief Executive Officer comments: "We're looking forward to our first BIBA conference as Bluefin. Many of the senior team are attending as delegates and we're also exhibiting under the Bluefin banner mainly to promote our schemes and network to broker visitors. The event is unique in providing access to our insurer partners, other brokers, service providers and the insurance trade press all under one roof and I'll be making the most of the networking opportunities it presents."

He adds: "Many of the conference sessions have been shaped to reflect these difficult recessionary times and I hope we come away with new ideas and inspiration to help us in our day to day business."

And Ian Mantel, Principal of Hastings-based Manor Insurance, says: "My wife and I booked into the Lowry Hotel early. I missed last year because of family commitments. There are real business advantages to going. For example, when I was thinking of switching premium finance providers, I was able to research the market by talking to the providers at the exhibition."

Meanwhile, Vida concludes: "I would urge brokers to consider allowing some of their younger employees to attend – it is a fantastic experience in terms of networking

> "It's very pleasing to see that our exhibitors are continuing to view the BIBA conference as the place to do business"


Ian Mantel
Manor Insurance


Julie Blakeley
Astbury Wren


Ian Dickinson
Brunsdon Group


Vida Wilson
Jardine Lloyd Thompson

The Conference Programme

Wednesday May 13	
18.00 - 20.30	Exhibition opens with an informal reception
Thursday May 14	
08.30	Exhibition opens
09.30	Conference opens
10.00 - 11.00	The Delivering Value debate – chaired by René Carayol
11.00 - 12.30	Networking session in Exhibition Hall
12.30 - 14.00	Lunch in Exhibition Hall
14.10 - 15.00	Seminar sessions (choice of four)
15.00 - 16.00	Refreshments in Exhibition Hall
16.10 - 17.00	Seminar sessions (choice of three)
17.30	Exhibition closes
Friday May 15	
08.45	Exhibition opens
09.30	Conference opens
09.35	Keynote session – Ruby Wax
10.30 - 11.10	Seminar sessions (choice of three)
11.10 - 12.00	Refreshments in Exhibition Hall
12.10	Keynote session – Erin Brockovich
13.00	Conference closes – lunch in Exhibition Hall
14.30	Exhibition closes

and learning. We are all busy and it can be hard to take time out of the office, but even going for a day is more than worthwhile."

Get into the origami habit

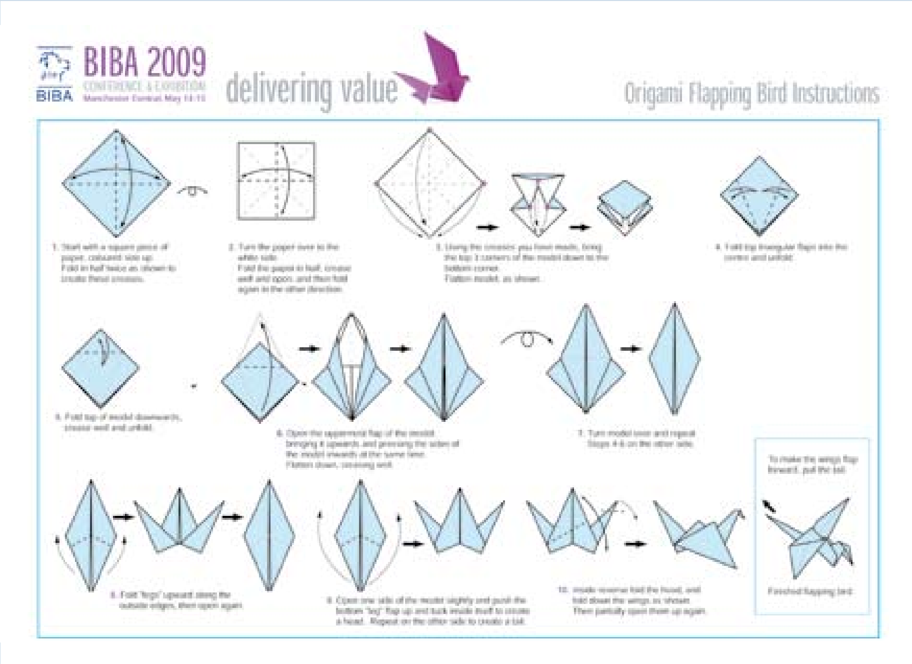
Members may like to know why we chose the origami theme for the conference, and what relevance it has to their work?

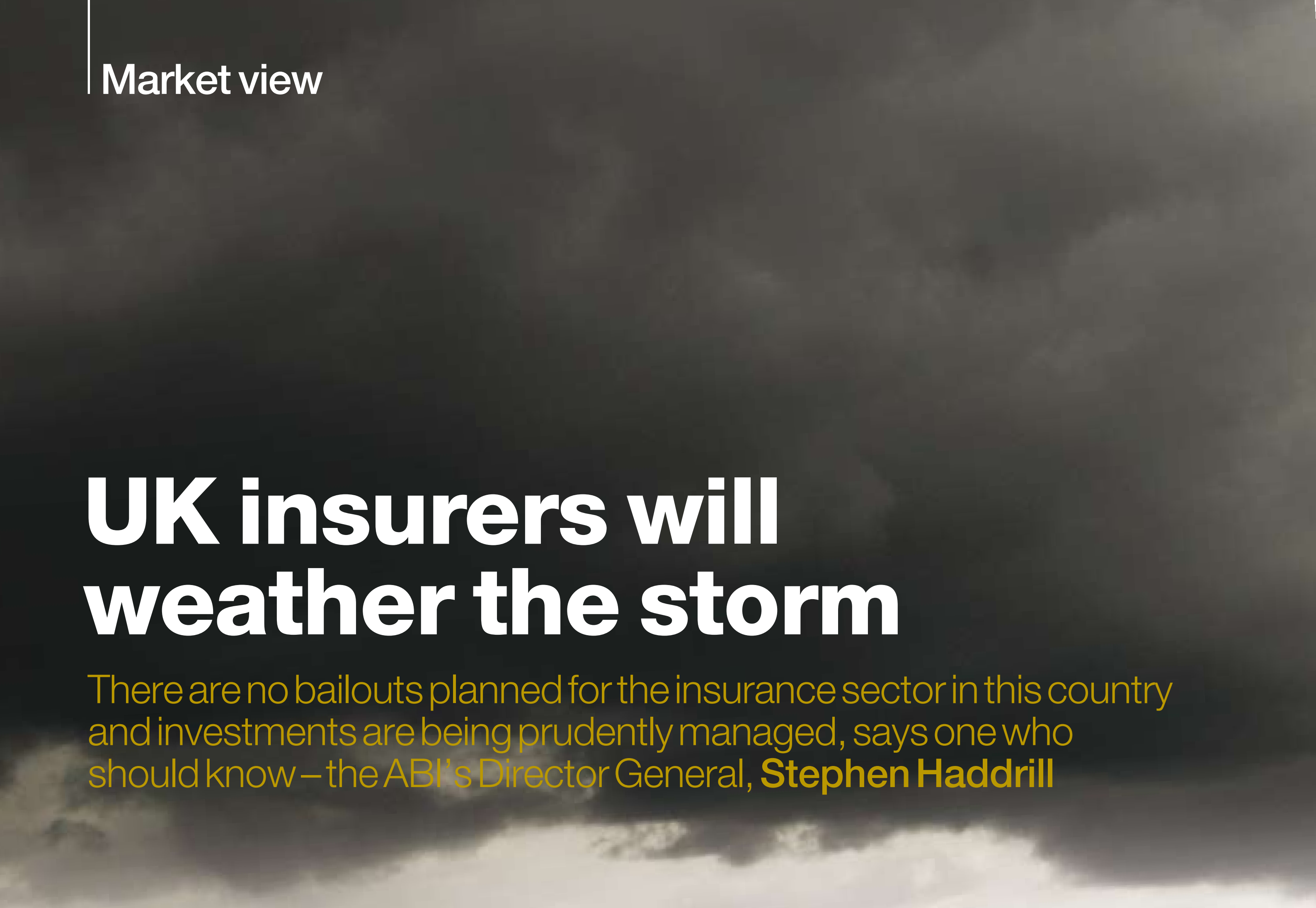
In the hands of an expert in this ancient Japanese art, a simple piece of paper with very little value of its own can be transformed into a work of art.

It takes great skill, patience and dexterity to become a master of origami and a similar level of hard work, but many more years of learning to become a professional insurance broker. In our hands, pieces of paper become transformed into something worth a great deal of money – as well as peace of mind.

We plan to mail brokers with new origami figures in the lead up to the conference and to make these available on the website. But to get started, here's how you can make the BIBA bird – the inspiration for this year's conference!

The folding instructions for the BIBA bird





UK insurers will weather the storm

There are no bailouts planned for the insurance sector in this country and investments are being prudently managed, says one who should know – the ABI's Director General, **Stephen Haddrill**

It is natural for consumers, brokers and financial advisers and indeed anyone interested in the UK financial system to have one eye on the current instability and another on trying to predict the next calamity to hit the economy.

Though few predicted the problems that hit the banking sector, there is an appetite among the media, Government and regulators not to be caught out again. Just as importantly, consumer confidence in the entire financial services sector has been rocked and their trust in insurance and brokers is likely to have been tested.

When the stock market fell drastically in October last year, questions were asked of the insurance industry and its ability to withstand the shocks that have afflicted other parts of the financial services sector.

I hope I can return to some of these questions here. It is more important than ever in the current climate to address these concerns openly and calmly, based on a clear understanding of how the insurance sector functions.

As brokers, you are in face-to-face contact with customers, so I hope the points I make below will help you to answer general concerns that may be raised over the financial health of insurers from your clients, as well as any questions you may have.

The UK insurance industry is the largest in Europe and contributed £9.7 billion in taxes in 2006/07. It is also a major player across Europe, with a premium income from overseas of some £48 billion. As the voice of the UK insurance industry, the Association of British Insurers' (ABI's) view on the position of the industry is clear:

- the industry entered the crisis in a strong capital position
- insurance companies do not lever their assets, and are therefore not as exposed as others have been as credit markets have dried up
- their liabilities are long-term, so they can avoid liquidity difficulties and weather what could be a volatile next few years
- the challenge for the industry will be to convey this message to consumers, as the Government and regulators generally accept that insurers are different from banks, with different funding arrangements and business models.

Since the 2003 stock market collapse, regulatory and capital regimes for insurers have been strengthened. Sarah Wilson, the FSA's Insurance Sector Leader, says that the insurance industry "is better prepared to deal with stressed market conditions". She points out that insurers are now required "to calculate the capital requirements that reflect their own business risks and hold capital commensurate with this".

Even so, suggestions have repeatedly been made that the UK life insurance industry is 'next in line' to need bailouts. This is simply not the case. Several of the UK's largest life insurers have made public the state of their capital and their exposure to potential further falls in bond and equity markets, demonstrating that their position is sound. While sales of both general insurance and life products have, of course, been affected by the recession, the underlying strength of insurers is still strong.

Corporate bonds

Given that insurers own or control about a quarter of the UK's capital, in equities, bonds and property, concerns are inevitable. But the industry has spent the last five years de-risking portfolios, reducing equity holdings greatly. ABI members now own less than 15 per cent of the stock market, compared with around 20 per cent five years ago, with greater investment in corporate bonds.

For 'buy-and-hold' investors – as insurers often are – bonds have typically provided a less volatile return and carried a lower risk than equities. It is those who were trying to make returns from short-term trading who have really suffered, especially hedge funds who have needed to sell bonds in a falling market to pay back client redemptions.

Insurers manage the risk of corporate bond issuers becoming insolvent, just as they do with equities. Where selling is taking place, it is being driven by technical pressure in thin markets, with a flight to Government bonds and cash.

Yes, corporate bond values are falling at the moment. But let us be clear: insurers can and do withstand falls in the market price of bonds. Most of their liabilities – such as annuity payments – are largely matched by bond income, which is not directly affected by currently volatile and unreliable market prices. Insurers do not become illiquid in a crisis; income continues to flow in before claims have to be paid. Even when, in the past, an insurer has come under financial pressure, it has continued to pay claims.

Strength

The FSA has also helped make sure insurers are in a strong position. The regulator has adapted some of its rules to give insurers more flexibility around their individual capital guidance. This was done primarily to accommodate current dislocation in the markets, rather than because of any pressing concerns over insurers' long-term solvency. That flexibility means insurers will not be forced to sell their bonds or equities unnecessarily, which would exacerbate current market difficulties.

We therefore believe that markets, brokers and consumers can have confidence in UK insurers. And in a worse case scenario, you can always reassure customers that the Financial Services Compensation Scheme covers 90 per cent of insured losses and annuities without any upper limit, and 100 per cent for any compulsory insurance taken out, in the event of an insurer's collapse.

A position of strength – the ABI's Stephen Haddrill

"Let us be clear: insurers can and do withstand falls in the market price of bonds. Most of their liabilities – such as annuity payments – are largely matched by bond income, which is not directly affected by currently volatile and unreliable market prices"

The insurance industry is still committed to working closely with brokers during these difficult times. The Retail Distribution Review is moving at pace, and regardless of the economic strains we face, it will remain a crucial project for us all.

We cannot afford to lose focus on such a key project, which should help consumers receive clear financial advice at a time they are most likely to need it. We both want confident, well-informed customers, who continue to buy our products.

Of course, the insurance industry is not immune from global market events. Investments have fallen in value and this remains a challenging time for the sector.

But I hope I have explained the basic facts about how the industry operates, protects its business and looks after its customers' interests. Insurers remain well-equipped to deal with the challenging environment. The UK insurance industry has a capital and risk management model that is explicitly designed and tested to cope with periodic hard times. Now is not a time for complacency, but nor is it a time for unnecessary and uninformed concern about a part of the UK economy that is a world leader and an immensely important part of our national infrastructure.

I am proud of the resilience of the insurance industry, but also will bear in mind the importance of our customers. We now have the opportunity to make the case for savings and reduce personal debt as we emerge from the crisis.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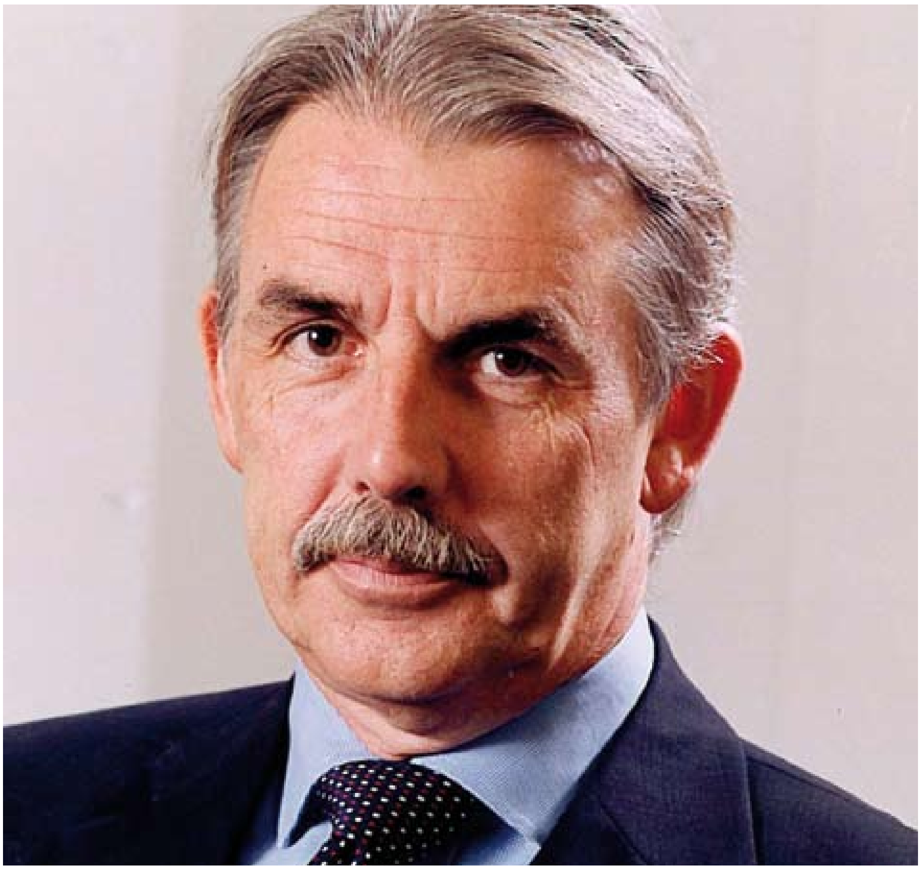
Swinton is looking to expand its commercial network. If you are considering selling your business, speak to Swinton in confidence on 0800 298 2750
www.swinton-acquisitions.co.uk : 0800 298 2750 : future@swinton.co.uk

Reducing PI exposures

In challenging times, some brokers may well be tempted to launch products and marketing initiatives to win more business. However, this can also create new exposures, advises **Alan Eyre**



Alan Eyre

2009 will be a difficult year for the UK insurance broking sector. Brokers will strive to sustain income and achieve organic growth by increasing their focus on new business and development ideas and opportunities.

When developing new products and embarking on marketing campaigns, it is important that brokers consider the risks that can arise. These should be both in terms of fulfilment of FSA requirements of 'clear, fair and not misleading' and also their professional indemnity exposures arising from the products and services being marketed.

Where products and services are designed for a particular market, it is important to ensure that your marketing matches what the products and services deliver. A key question to ask is: Do your target customers understand your marketing and other communications?

Context and impression are everything. This can, however, present significant challenges in terms of complex specialist products, where the customer may not always be sufficiently informed to understand precisely the nature of the product being marketed and the offer being presented.

Treating customers fairly

The FSA definition of 'clear, fair and not misleading' is combined with your overriding obligation to treat customers fairly and you should ensure that your marketing material properly addresses these issues. You should ask whether the target customers understand your offering and what those customers are likely to know and need to know about the product.

The process of converting enquiries into sales must also be compliant. The FSA focuses particularly sharply on direct sales campaigns, where the customer is invited to sign up immediately. There can be a fine line between invitation and putting a client under what could be perceived to be undue pressure.

To achieve all the above requires attention to the interlink processes of both product design and marketing. Crucially, your compliance team needs to be involved in the process from an early stage.

Under FSA requirements, management has clear responsibilities in respect of financial promotions and marketing material. These are:

- clear strategies for marketing and for relevant systems and controls
- accessible and clear procedures which are actually used by promotion designers
- systems covering all media, electronic as well as paper
- only trained staff issue such marketing promotions after signoff from the compliant function
- records are adequate and complete
- complaints are positively analysed for system failures to avoid repetitive mistakes
- positive and continuing steps at senior management level are taken to ensure that the approval system is operating properly.

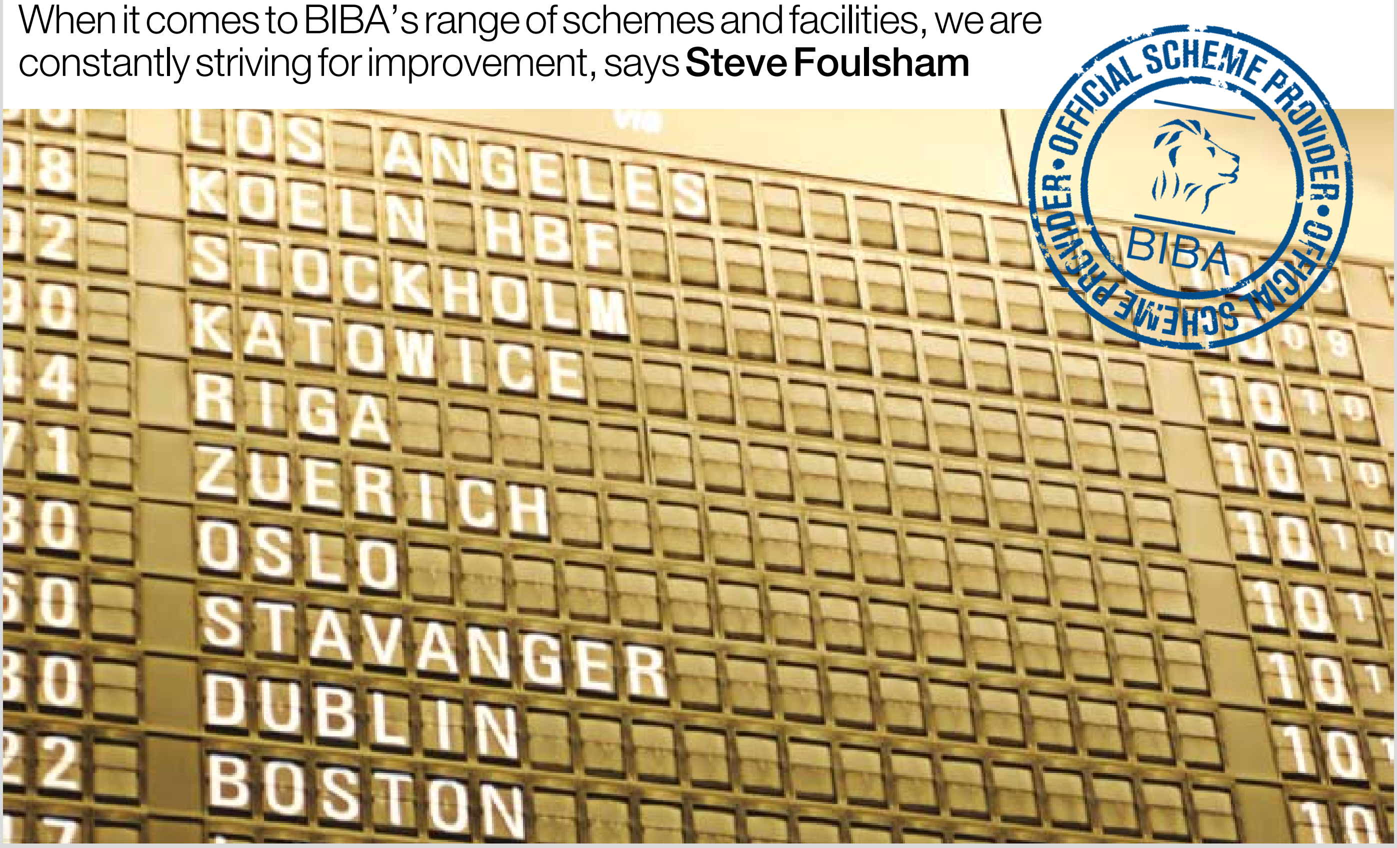
If these procedures are not followed and a campaign to sell a particular product and/or service can be interpreted as misleading, it not only presents exposures in breaches of FSA requirements but can also lead to professional liability exposures for the broker concerned.

In the difficult year ahead, all brokers will be under pressure to increase and enhance new business performance. However, we must not lose sight of the need of both professionalism and compliance in achieving this and the risk to our own and our customers' businesses if we do not keep these principles constantly in mind.

Alan Eyre is Managing Director of Towergate Professional Indemnity, a BIBA-accredited PI broker

Getting better all the time

When it comes to BIBA's range of schemes and facilities, we are constantly striving for improvement, says **Steve Foulsham**



Travel scheme enhanced

There is now enhanced cover available from the exclusive BIBA Protect travel insurance scheme, underwritten by Tokio Marine Europe Insurance Limited.

Tokio Marine Europe, appointed by BIBA in 2007, provides brokers with a web-based solution, enabling them to sell travel insurance through their own branded websites.

Member brokers can upgrade policies mid-term and renew online and have access to bespoke underwriting via decision-making underwriters at Tokio Marine Europe. The scheme is also well suited to supporting affinity schemes and employee groups.

Tokio Marine Europe will continue supporting traditional pad facilities to all BIBA members and offer the flexible service this BIBA scheme has always enjoyed.

This year, in addition to the cover that is already provided, the scheme is being enhanced to offer financial failure cover and the age limit for annual multi-trip worldwide is being increased to 75 years.

The scheme provides many benefits including:

- single and annual multi-trip cover with £10 million medical cover
- independent travel for all insureds, including children
- no terrorism exclusion
- children under a family policy are covered up to the age of 23 if still in full-time education, even if not residing at the same address
- many hazardous activities (eg scuba diving) are covered as standard
- single excess applies per family, per incident
- infants aged three and under are covered for free
- adults can be covered up to the age of 85 on a single trip policy, 75 on an annual multi-trip policy
- up to 45 days any one trip on an annual multi-trip policy (with option to increase to 60 days)
- up to the maximum age for winter sports
- pre-existing medical conditions may be covered, subject to medical screening
- cover for the insolvency of the travel or accommodation provider not forming part of a package holiday.

Tokio Marine Europe Insurance Limited is rated 'AA' for financial strength by Standard and Poor's and the Tokio Marine Group has over US$19 billion of annual premium income and assets in excess of US$151 billion, (figures correct as at 31 March 2008).

For more information, contact Geoff Chapman or Dipesh Patel at travel@tokiomarine.co.uk

Capitalise on caravans

There are numerous reasons why brokers should give BIBA's caravan scheme serious consideration.

BIBA's Schemes and Facilities: the full range

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

While the economic climate may affect new unit sales, the signs are that caravanning continues to be increasingly a holiday of choice – perhaps even more so for cash-strapped families. Someone owns, and needs to insure, all those touring and static vans.

On that point, it is accepted that a good number are not insured, their owners thinking for instance that it 'won't happen to them'. Yet caravans are often a real home from home, full of personal possessions, and a loss can be devastating. They just need that prompt and a decent quote.

We are not just talking small values here, a top-of-the-range static caravan can be worth more than £100,000 and these days caravans are stuffed with all the latest technology, so average premiums – and commissions – are on the up.

Developments in the caravans themselves and their contents reflect a shifting owner profile – VisitBritain reported in October last year that 35 to 44-year-olds go camping and caravanning more than any other age group.

What is more, those people tend to be the sort who look after their possessions. But the most compelling reason has to be that, with the BIBA Caravan scheme in partnership with K Drewe Insurance Brokers, it is easy.

The scheme is designed exclusively for BIBA members, including those in Northern Ireland, and offers flexible and competitive insurance for both touring and static caravans via an innovative and straightforward web-based process.

Attractive benefits include 16 per cent commission and the back up of experts with more than 50 years' experience in the leisure insurance industry, including an in-house claims facility.

Go to www.bibacaravan.co.uk for more information and to register, and discover how members can capitalise on what is still a relatively untapped and profitable market.

Revamp for BIBALet

BIBA brokers are set to benefit from enhancements to pricing, commission, products and service delivery on the BIBALet scheme.

As part of an ongoing strategy to further strengthen service and product offers while delivering best value, BIBALet – a specialist scheme providing let property insurance and risk management solutions to BIBA brokers – has recently relocated to Keelan Westall's offices in Hampshire. It has also benefited from a major revamp by the leading commercial property insurance broker.

As well as enhanced pricing and levels of commission, the overhauled BIBALet scheme offers expanded legal solutions and buildings and contents insurance policies with the latter now covering property unoccupied between lets – for up to 90 days. New products designed to complement the existing portfolio are likely to be introduced in the near future with tax redemption and emergency assistance being cited as possibilities.

In response to broker demands for a web-based platform, Keelan Westall has introduced an online risk submission form. This allows critical client information to be easily submitted at the touch of a button, via the BIBALet website. In line with its

commitment to raising service standards, the company promises a personal response within one hour of receipt for single risks and two hours for multiple quotes.

Under the Keelan Westall umbrella, BIBALet offers an in-house underwriting agency and claims department together with dedicated account teams, regional business developers, and lettings, property and insurance industry specialists.

Working closely in partnership with Groupama on the scheme enables the company to negotiate cover enhancements on the basis of a consolidated account. In addition, Keelan Westall operates binding authority agreements with AXA, Allianz, Brit, Norwich Union, RSA and Zurich, enabling the company to provide cover for a broad range of risks, as well as offer a truly competitive service, the best possible premiums, and wider fair market analysis.

Matthew Wiles, Customer Relationship Manager for the BIBALet scheme, comments: "Bringing BIBALet to Keelan Westall has allowed us to implement quickly a series of changes designed to ensure the long-term success of the scheme. It is important to stress that this isn't a one-off exercise, BIBALet will be closely monitored and reviewed to ensure it continues to deliver best value to BIBA brokers."

BIBALet offers a wide range of comprehensive cover for BIBA members' let property owner clients, including landlords' buildings and contents, tenants' contents, holiday homes, multiple property owners; rent indemnity and legal protection.

BIBALet and Keelan Westall are part of the Property & Commercial Division (P&C) of Barbon Insurance Group.

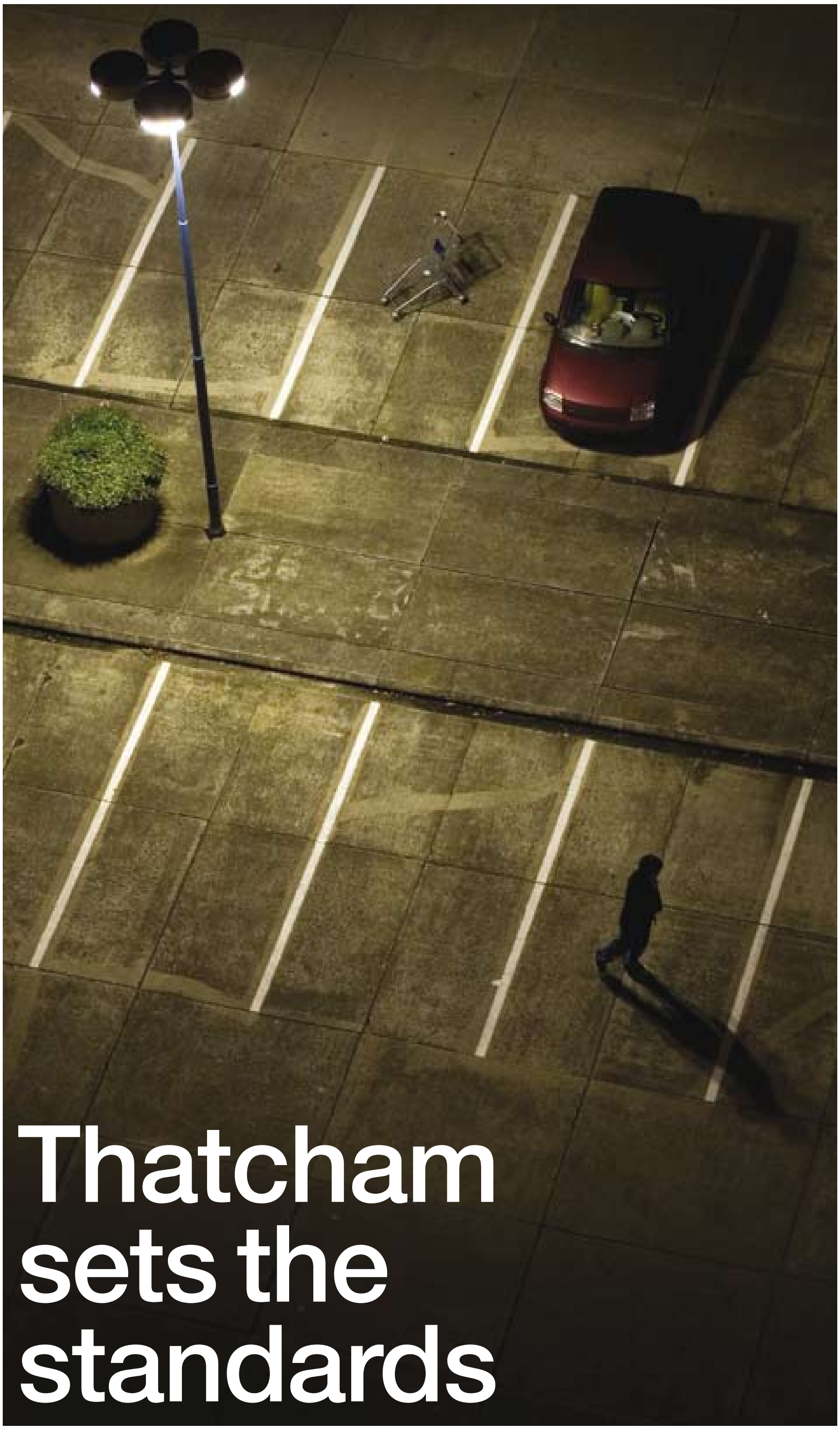
For more information, contact BIBALet on 01420 471987 or email: enquiries@bibalet.co.uk.

Steve Foulsham is BIBA's Technical Services Manager


EXECUTIVE PLUS


MSL
LEGAL EXPENSES
INSURANCE

The work of Thatcham, using a barrister, taking out an injunction and management training are all under the spotlight this issue



Thatcham sets the standards

This year marks the 40th anniversary of the Motor Insurance Repair Research Centre, known as 'Thatcham'.

The Berkshire-based organisation was formed by British motor insurers to carry out research targeted at containing or reducing the cost of motor claims.

The most important recent initiative has been the introduction of the vehicle body repair kitemark in 2007.

Launched in conjunction with BSI, the kitemark scheme has given the crash repair community a framework for safe repair. More than 200 vehicle repair businesses have now gained the standard.

Another key area is vehicle security, where Thatcham's NVSA (New Vehicle Security Assessment) has raised the bar for vehicle manufacturers.

Stringent assessment is now an insurance prerequisite for volume selling vehicles entering the UK. Vehicle theft in the UK has fallen by 60 per cent since Thatcham set up the British Insurance Industry's Vehicle Security Scheme in 1993.

The Thatcham-hosted British Insurance Car Security Awards provide an annual opportunity to recognise those manufacturers who have made the greatest strides in terms of vehicle security.

Vehicle safety

Thatcham helps to promote new active and passive vehicle safety features. These include electronic stability control and rating seats and head restraints for their ability to mitigate whiplash.

Its whiplash claims toolkit (WITkit) is set to provide insurers with a mechanism to fast-track genuine whiplash claims, while flagging up those that may need investigation.

Meanwhile, as members of Euro NCAP, the European New Car Assessment Programme, Thatcham offers safety advice and test results direct to consumers.

Thatcham also raises the image of the body repair industry and addresses skills shortages. Its Automotive Academy delivers a range of training courses and assessments, focusing on insurance engineers, vehicle damage assessors and repairers.

It also continues to provide information required by the insurance group rating panel to accurately establish vehicle insurance grouping.

This includes the results of low-speed vehicle damageability assessments, alongside a plethora of security, safety and parts information.

Find out more about Thatcham

Thatcham welcomes visitors to its research centre for its Triple Focus event on 17 and 18 June. Incorporating the British Insurance Car Security Awards among a range of other attractions, Triple Focus is an opportunity to see more of Thatcham. Visit: www.thatcham.org/triplefocus

Time to call on the bar?

It is possible to make savings – or at least to limit expenditure – on legal advice, through going directly to a barrister.

Leo Fattorini, Director of Kennedy Cater Legal, says most firms use solicitors for legal advice yet are unaware there is another option. He says since 2004 it has been possible through a scheme called Public Access to instruct barristers directly – bypassing, in appropriate cases, solicitors.

Kennedy Carter Legal is a firm of legal consultants that specialises in advising businesses on reducing their legal expenditure. It agrees a discounted rate with barristers as a result of aggregating the spend of all their clients and provides any administrative support that might be required.

Leo points out that by taking advantage of this route, those businesses that are instructing barristers have been saving themselves as much as 50 per cent as against what their costs would otherwise have been. Like solicitors, public access barristers provide expert legal advice, not just in relation to disputes (where they are able to give a steer on the strength of a case) but also on corporate issues such as contractual arrangements and employment matters.

"It's possible to access an experienced barrister for £75 per hour. However, it is important that the right barrister is chosen," he says.

There are more than 1,000 barristers in England and Wales qualified to advise on a Public Access basis.

Management training

Why bringing on the next generation matters

Management training is not something that brokers have traditionally focused on, believing that technical skills are more important. However, Higos has recently launched its own bespoke programme to develop managers for the future.

HR Director, Julian Unthank, explains why: "We've worked with colleges and institutes, but this time, we're working with a local trainer. We spoke to a number of providers and chose Bernard Genge, who runs his own consultancy, and is also author of a book, *10 Actions to Change Your Life*.

"We believe it is cost effective and having seen him in action, are extremely impressed. He is a motivational management specialist, not an insurance expert – and that is a positive.

"The programme takes place over a four-month period in the format of one day's management development each month followed up by a half-day 'action learning set' to ensure that the learning is applied to the workplace and experiences are shared. A total of 16 Higos employees are on the programme.

"Before they start, they complete a 360° self assessment and then also need to get five colleagues including a manager to complete on them in addition.

"Throughout the course, there is a lot of openness, critique and both group and individual challenges. It's demanding and some people are nervous, certainly at the start – they have never done anything like this before. But we are seeing outstanding results, with delegates saying they now realise what they should be doing as effective managers."

The course covers many aspects, including:

- understanding learning styles
- changing negative beliefs into positives
- using strengths and weaknesses
- developing and having a 'bigger picture' for the future of a department and company
- situational leadership – using four different leadership styles to develop the people around you
- visualising and affirming to tap into creative power
- time management
- five essentials in delegating
- giving trust and being trustworthy
- handling conflict
- different levels of listening
- turning poor performance into good performance
- motivating others.

Legal latest

Stay safe with an injunction

Injunctions are an effective and often necessary way to protect a book of business.

Trust and goodwill, particularly in the current climate, may come under strain. Insurers and wholesale brokers may try to cut out the broker, or ex-employees may try to solicit clients, even if this breaches the terms of a TOBA or a "non-compete agreement."

Brokers should consider getting legal advice as soon as they feel their business is under threat. If clients are poached, the damage is done and it can be hard to assess it in monetary terms.

So it makes clear sense to act early to prevent or limit loss. If an insurer or ex-employee is likely to be acting illegally, a broker should consider obtaining an injunction from the court. This is an order to restrain activity on a temporary, emergency basis.

A recent case in point involved the pet insurance broker Animal Friends for whom we obtained a High Court injunction against the insurer, Equine & Livestock (E&L).

E&L had access to Animal Friends' book of business and was directly soliciting Animal Friends' customers. The judge considered this was in breach of a TOBA between the parties. So E&L was prevented from making further attempts to solicit. Animal Friends went on to obtain compensation for the damage already done.

Sometimes the issues are unclear. For instance, the TOBA may not be well drafted, or the duration of a non-compete clause may be unreasonable. But often just the threat of an injunction, perhaps on a lawyer's headed notepaper, may have the desired effect.

Legal costs can be off-putting. But in fact this is really only a major concern for the party in the wrong, since the general rule in the UK is that the loser pays the winner's costs.

Law firms are prepared to enter Into "no-win, no-fee" agreements in appropriate cases.

Robin White is an Insurance Lawyer at Addleshaw Goddard

Keep your clients' interests safely grounded

There is no standard insurance industry clause when it comes to 'airside' risk. **Roy Rodger** clarifies this confusing issue and reminds brokers to be clear on what cover is needed

Most UK motor policies either contain an airside liability exclusion clause or have restricted liability when a vehicle has been airside.

The original airside exclusion was inserted 15 years ago by reinsurers. Then, private car policies generally provided unlimited third-party property damage (TPPD) cover.

Until then, there had been no automatic policy restrictions and the absence of significant losses must have been due to airport security measures in force even at that time.

There is no industry standard clause and here are some example wordings:

- NIG: *(excluding) liability for loss or damage caused in a place where aircraft land, park, or move, including the associated service roads, refuelling areas and ground equipment parking areas*
- RSA: *(excluding) Legal liability, except as required under road traffic laws, as a result of using a vehicle on any part of an airport or airfield provided for aircraft movement parking or maintenance*
- Allianz: *We shall not be liable for claims for death, bodily injury, damage to property and aircraft arising from your car being driven or used on that part of an aerodrome, airport, airfield or military base, provided for the take off or landing of aircraft and for the movement of aircraft on the surface and aircraft parking aprons including the associated service roads, refuelling areas and ground equipment parking areas*
- Sheila's Wheels: *(excluding) Any loss, damage, injury or liability while your car is in, or on, any part of an airfield used for take off or landing of aircraft or the movement of aircraft on the ground; or as aircraft parking areas, including service roads and parking areas for ground equipment.*

The theme is fairly consistent although the language varies. Of the above sample, three of the clauses appeared in the third-party section of the policy with the fourth placed in the general exceptions.

The implication here is that, in the former examples, airside damage to the insured vehicle would be covered, but in the latter, all airside damage and liability would be excluded.

Airside vs RTA

Only one of the insurers represented mentions Road Traffic Act (RTA) liability in their airside wording. Where the exclusion makes provision for RTA liability, an accident that was deemed to be *both* an airside and an RTA liability would be dealt with by the insurer under the policy.

TPPD cover would be limited to £1 million which is the sum required by current legislation, but bodily injury would be

Illustration: Celyn Brazier

"The DPP v Neville, 1995 case held that departure lounges were 'public places'. This, caused concern when S. 143 of RTA 1988 was extended to include 'or other public place' in 2000"

unlimited. Had the exclusion been worded slightly differently eg *except in circumstances where RTA legislation requires insurance to be in force*, it could be argued that the full policy TPPD limit would apply.

Where the exclusion makes no mention of RTA liability, in the same accident (ie *both* airside and RTA), the insurers would be involved as RTA insurers (S. 148 (2)) and could seek recovery of their outlays from the policyholder.

On the same basis, it could be assumed that a similar situation would apply in other European countries covered by the policy if the local law deemed an airside event to be within the territory's compulsory third party motor legislation.

Departure lounges

The DPP v Neville, 1995 case held that departure lounges were 'public places'. This, caused concern when S. 143 of RTA 1988 was extended to include 'or other public place' in 2000.

Following this extension of the compulsory insurance requirement, the question asked was, did policies with the airside exclusion cover accidents, RTA or otherwise, in departure lounges which, according to the definition below, were airside.

The 1994 BAA definition of airside states: "That part of an aerodrome or airport provided for the take-off and landing of aircraft or the movement of aircraft on the surface; aircraft parking aprons including the associated service roads and ground equipment parking areas, *those parts of passenger terminals of an international airport which come within the Customs' examination area*.

If we compare this definition with the insurers' wordings shown above, the difference is mainly the words in italics which do not appear in the insurers' versions. On this basis, these insurers appear to regard passenger terminals as within the policy cover, whether or not they are regarded as either "a road" or as a "public place".

Looking at departure lounges, few can disagree with their being regarded as "public places".

However, once passengers complete the boarding card/ passport control and move to the mobile corridor, airport bus, or walk across the tarmac to the aeroplane, there is no doubt that they are "airside".

On this basis, we should be confident that:

- accidents occurring in departure lounges would be non-airside and within RTA (Neville case)
- accidents happening beyond boarding card control would be "airside" and non RTA.

Of more concern are situations where a vehicle may find itself on the tarmac.

Where airside use is a normal part of a contractor's business (fuel delivery, catering services, runway maintenance), the correct cover should to be in place and drivers familiar with correct procedures.

More serious are situations where a driver has to go airside. In these cases, there may not be any thought about cover or protection until it is too late. Recently we heard a contractor, working on the runway at a major airport, encountered a problem urgently requiring a specialist's inspection. The specialist arrived at the gates - was waved through and drove to the site under escort. It was only when the control tower noticed him that it became clear that he had not been authorised or properly cleared.

When the England football team returned from the 2006 World Cup, they landed on a specially set aside runway. The players' cars were lined up at the foot of the steps and each player was able disembark and drive away. One wonders if they had arranged special cover.

It is expected that, in these cases, there may be contingent covers arranged by the airport, but they would not indemnify the contractor or driver and the contingent insurers may well exercise subrogation rights.

Private airfields

On private airfields security is less visible and arrangements are more informal.

There is a general openness of smaller airfields, with only small fences separating the public areas from landing strips and aircraft parking areas. Examples of where a vehicle could be positioned airside without the necessary protection and an 'airside barrier' breached are:

- disabled flyers and passengers. The car may be permitted to drive up to the aircraft, perhaps escorted or supervised
- maintenance contractors could be working on buildings e.g. builders, glaziers, painters and use their own vehicles airside
- fuel delivery. Deliveries of domestic fuel or fuel for motor vehicles used at the airport. In these cases it would be normal for all the pumps and tanks to be located in the same area (airside)
- post and parcel delivery. In the case of a bulky item destined for the control tower, there may be a temptation to drive instead of walking
- VIPs and celebrities. Private airports are often more convenient than airlines or trains for regular, VIP, travellers. It is not uncommon for a driver or courtesy car to be waiting on the field at the aircraft's landing slot
- car boot sales, sports meetings. Occasionally airfields are used for these and similar events. In order to accommodate crowds, part of what is normally regarded as airside may be allocated for parking or events. In the absence of any special provisions, how would insurers treat these?
- emergency services. Police, ambulance and fire services all may have occasion to drive airside, often without the time to check their cover
- one airport questioned mentioned that they had tenants who had a right of way through part of the airfield to access their premises. They were operating a business and special arrangements had to be made to accommodate customers' vehicles.

The message to brokers is clear – check what the client does and their needs.

What are the chances of any work being done at an airport, whether airside or not? Where the answer is 'yes' you should ask, does the client and his drivers appreciate the consequences of going airside without proper protection?

Roy Rodger is a technical and training consultant

NACORA

International Insurance Brokers

TOKIO MARINE EUROPE

Nacora Insurance Brokers and Tokio Marine Europe Insurance Ltd, a partnership which brings Quality, Flexible and Competitive Solutions that BIBA Members can trust.

Nacora is proud to announce that it has chosen Tokio Marine Europe Insurance Ltd to provide the security on our scheme from 2009. This partnership provides greater security and peace of mind to you the broker, ensuring that your customers' cover is placed in safe hands.

Nacora is able to provide tailor made, cost effective and flexible marine cargo insurance solutions to the BIBA membership.

The primary policy that Nacora supply is written in plain English and is devoid of the Institute Cargo Clauses, making it simple for your client to understand exactly what is and is not covered within the cargo policy, whilst also making it easier on brokers to market and explain the policy.

Nacora works very closely with the Logistics Industry, so we are well placed to understand the markets which your customers are involved in, ensuring that your customers needs and requirements are identified and the most effective solution provided to suit.

Key Features & Benefits:

AA Security Rated by Standard & Poors
£1,000,000 Conveyance Limit
Guaranteed Premium/Rate Savings for BIBA Brokers
Preferential Remuneration for BIBA Brokers

Plain English Policy Wording
World to World Voyages
Quotations Within 24 Hours
Online Certificate Issuance
UK Based Claims Department

Nacora Insurance Brokers Representatives Attending This Years BIBA Conference

Come and see Paul and Ade at stand M22 at the BIBA Conference in Manchester!

We look forward to seeing you there!!

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Registered Number 989421 England

Nacora Insurance Brokers Ltd
Authorised and regulated by the Financial Service Authority Firm Reference Number 312301
Registered Office: 1 Union Business Park, Florence Way, Rockingham Road, Uxbridge, Middlesex, UB8 2LS Registered in London.
Company Reg. No. 1757105

Keeping in the know

Europe plays an increasingly significant part in our business lives and it pays to be informed on what's brewing in Brussels. **Steve White** provides a regulatory update

BIBA is an active member of the European Federation of Insurance Intermediaries (BIPAR), which gives us a very useful insight into a range of developments in Europe and also allows us to influence their direction from the beginning.

At the recent BIPAR meeting in Budapest, a number of topics were discussed which will be of interest to BIBA members.

The EU Directorate General (DG) for Competition is continuing to express some concern about the co-insurance market, following publication of its final report on the business insurance sector inquiry in September 2007. BIPAR published a set of principles on co-insurance, which are available on our website and on the BIPAR website (www.bipar.eu).

DG Competition will be issuing a questionnaire in spring 2009 to test the impact of the BIPAR principles and we again encourage all our members who operate in the co-insurance market to familiarise themselves with the principles.

The Budapest meeting heard a speech by Tomáš Kukal, Civil Servant at the European Commission's DG Internal Market. He informed participants on the state of play of the Insurance Mediation Directive (IMD) implementation check, and in particular, about some divergences existing in the national implementations of this EU directive. He invited BIPAR to continue its close cooperation with the Commission on this issue.

With regard to a possible future IMD revision, Tomáš Kukal shared with the participants some of the issues he would like to consider in the framework of this possible process, such as the definitions of intermediaries and the information requirements of a revised directive.

He added that a revised IMD could be a Lamfalussy Directive or a Regulation (directly applicable in the national laws of the 27 EU member states) to ensure maximum harmonisation of the new rules (i.e. member states would not be allowed to introduce requirements that go beyond the revised IMD provisions).

Eric Galbraith, BIBA's Chief Executive, gave a presentation to the meeting outlining the work BIBA had undertaken to help deliver an industry solution on conflicts of interest, transparency and disclosure.

He says: "The approach to these issues across Europe varies enormously. It is very interesting to engage with my counterparts within the other intermediary trade bodies to discuss practical solutions and, with some states, to even address the basic concepts.

"A lot of interest has been shown in the work that BIBA's compliance team has been leading, including that of the European civil servants that handle the Insurance Mediation Directive. I am hopeful that a workable industry solution could have a wider appeal than just our domestic market."

Europe continues to be an important arena for regulatory developments and members can rest assured that the BIBA team will continue to play an active role within BIPAR on their behalf.

Regulatory responses

BIBA's Compliance Coordinator **Vannessa Young** provides answers to members' questions

Q: What has happened to the proposals to remove certain retail insurance activities of freight forwarders and storage firms from the scope of Financial Services Authority (FSA) regulation?

A: The Treasury published a summary of the responses received in connection with the consultation on its proposals in February 2009. Respondents were all in favour of option 3, which proposed removing from the scope of FSA regulation the practice of freight forwarders and storage firms extending 'open cover' insurance policies to include the goods of retail customers in exchange for a premium. Deregulation will be effective from 6 April 2009.

The Government and the FSA have worked with relevant trade bodies to develop suitable codes of practice that will minimise consumer detriment, including joining the voluntary jurisdiction of the Financial Ombudsman Service.

Q: Are we any closer to the industry solution for conflicts, disclosure and transparency in the commercial market being confirmed as official guidance by the FSA?

A: Patience is a virtue, particularly when working with the FSA. BIBA hopes the FSA will grant Industry Guidance status to the industry solution that we have led the development of during the first quarter of 2009. Once confirmed, we have promised the regulator a range of support activities which will include issuing a 'helpful hints' document to our members, running training courses around the UK, updating the BIBA *Compliance Manual*, producing a special edition of *Compliance Rules*, instigating and writing press articles for placement in various commercial customer trade publications. Our activities however will not extend to policing, measuring or enforcing the guidance.

Q: An American customer of mine has mentioned new legislation which introduces greater disclosure around broker remuneration. Can you shed any light on this?

A: The New York State Insurance Department, which is responsible for supervising and regulating all insurance in New York state, has issued draft producer compensation transparency regulation. This proposed legislation is designed to protect the interests of the public by establishing minimum disclosure requirements relating to the role of insurance producers and the actual or potential conflicts of interest created by compensation paid to insurance producers.

The proposed legislation is likely to be implemented sometime in the autumn of 2009. BIBA has been in contact with the New York state insurance regulators about the draft legislation and will be keeping a close eye on developments. We will also be making a submission to the consultation. The new regulation would apply to business across the piste in NY state.

For more information please go to the link: www.ins.state.ny.us/r_emergy/pdf/prodtrans090129.pdf

Q: A colleague has told me that the FSA's work on treating customers fairly (TCF) has been downgraded and is no longer of importance. Surely this cannot be true?

A: I would suggest that your colleague should go straight to jail, without passing go and should not collect £200 for making a comment like that! TCF remains a central element in the FSA's retail strategy. Your colleague may have been confused by the FSA's announcement last year that TCF would be fully integrated into its core supervisory work from January 2009.

As from January, delivery of TCF will be tested as part of firms' usual supervision – either through the regular ARROW assessments of larger, relationship-managed entities; or via the regional assessment programme, under the enhanced supervisory strategy for small firms.

The regional programme began in March 2008 and aims to cover 11,300 retail intermediaries during the three years. The assessments will continue to be based around the key drivers in the TCF Culture Framework namely leadership, business decisions, controls, recruitment, training and competence, and reward.

Just because your firm has not been caught by this initial round of activity, does not mean to say that it will not do so in future. If anything, the FSA is upping the ante on TCF, having found that its process of holding a free roadshow in a particular region, then following those up with telephone assessments and face-to-face visits to certain intermediaries in the same area has worked well. Judgements about how well an intermediary has progressed with TCF which have been made on the phone have tended to have been bourne out on visits, the FSA has told us.