

Spring 2011  
Issue 45

British Insurance Brokers' Association

# The Broker

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Design: beetroot (020 7749 0170)

Print: Newnorth

Advertising: Mainline Media  
(01536 747333)

## Welcome



**Leighann Burtrand**  
Editor of *The Broker*

It is clear that we are in the midst of a media revolution. Fewer of us are buying newspapers and instead want information that is more up to date – the arrival of mobile web-enabled devices allows people to know what is going on wherever we are.

We want to know what information you want from BIBA – and how you would like to receive it. Do you still value paper publications? Do you prefer having information online? We know brokers are incredibly busy and have limited time to read – but what do you feel is essential – what helps you in your business?

Currently there is a lot of material on our website covering a vast array of topics, including technical, compliance and regional issues, along with a media section, while we also produce weekly bulletins. Is this enough...and can we improve this for you? The good news is that you can soon expect a much improved website layout.

The new BIBA website which will be launched shortly, will give members easier access and navigation to the wealth of information on the site and present the value of our services more effectively.

We are also presently conducting research among members to find out how you would like us to communicate with you, so please feedback your thoughts.

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### Future of regulation

The Parliamentary launch of BIBA's research on the 'Future of Regulation' in March will seem a distant memory by the time this edition of *the Broker* is published. But findings of that research reverberate still. And, demonstrating that the existing system of regulation is inappropriate, disproportionate and unnecessarily costly is only the first step.

We have put down a marker for general insurance intermediaries. The critical contribution our sector makes to the insurance market and the need to change the current focus and style of regulation has been clearly identified. In the coming months, BIBA will be pursuing every available opportunity for dialogue with Treasury, the Financial Services Authority (FSA)/Financial Conduct

Authority, MPs and ministers in order to determine how the right regulation for our sector can best be delivered.

### Spreading the word

I want to thank all those members who responded to BIBA's request to write to their MP to draw attention to the unfairness

**"It is clear that there is still a great deal of work to do to ensure that all our messages have been received and understood"**

of the Financial Services Compensation Scheme (FSCS) and the need for the FSA to commence its delayed consultation on funding reform as soon as possible. We continue to press for this consultation process to begin and in the meantime are looking at what changes should be made and how these might be structured.

Given the severity of these levies by the compensation fund, members have asked BIBA to investigate if and how the cost can be passed onto customers. The legal, regulatory, tax and accounting implications arising from such a move are currently being explored.

### Strength in numbers

There are still many insurance brokers and intermediaries who sit outside any trade body membership. BIBA has an on-going programme of contact for all those non-members assisted by our regional executives. But if you know of a non-member and can provide an introduction please let me know.

It is clear to me from my meetings with MPs, Government departments, consumer bodies that there is still a great deal of work to be done to ensure that all our messages have been received and understood.

I know one strong voice is something of a mantra for me but if we are really to have an impact then we all need to be involved.

BIBA through its board, executives and various committees, has made very considerable strides forward in raising the profile of our sector but we need to consolidate this position to take us through the next decade.

Many thanks to all those members who have assisted BIBA and helped make it a success. To non-members please join and add your voice to our various initiatives.

### BIBA conference 2011

There are many issues affecting our sector and given BIBA's limited resources it is essential that we focus on what is or will be most relevant to our members.

The strap line of BIBA's 2011 conference – Opportunities in Adversity – sums up the environment we live in today and probably that for the foreseeable future too. When constantly faced with the challenges of inappropriate and costly regulation, a very competitive 'soft' market and difficult economic conditions it can be difficult to find those 'reasons to be cheerful' moments and opportunities. But brokers do.

I look forward to seeing you in Manchester in May.







## Parliamentary reception reaches those who matter

Members of parliament, regulators and brokers were among an influential group of stakeholders who attended BIBA's recent reception at the House of Commons.

Its purpose was to launch two key pieces of research, one on the future of regulation and another showing the value of brokers to the UK economy.

BIBA secured the support of MP Tracey Crouch, who formerly

worked for Aviva, to facilitate the event and Mike Penning MP, who is road safety minister, also provided an address. The event was held in conjunction with the All Party Parliamentary group on Insurance and Financial services.

Eric Galbraith made an impassioned speech on the need for more proportionate regulation and why he wants the new Financial Conduct Authority to address current problems and

set in place a more appropriate regime.

He emphasised that brokers pose a low risk and while he fully supported regulation, costs for this were totally unreasonable and have spiralled out of control. The research shows that these costs are three times the size of the second most expensive European State, which is Ireland.

Eric said: "BIBA wants a fresh approach from the new Financial

Conduct Authority (FCA) – an approach that focuses much more on the limited risks that our research has identified. Our members tell us repeatedly that they want certainty and so a more prescribed approach on areas like capital requirements and adequate recourses would seem to be more appropriate.

We want intelligent regulation based upon the low risks we pose to the regulatory objectives."

## Minister backs CIE campaign

Mike Penning MP, the Parliamentary Under Secretary of State for the Department for Transport, has said that continuous insurance enforcement (CIE) is an effective strategy to help drive uninsured drivers off the road.

Speaking at BIBA's parliamentary reception in the House of Commons, he also said that CIE is one of the most significant changes since legislation went onto

the statute book. He also spoke about allowing insurers to confirm details such as a driver's penalty point records with the DVLA to reduce fraud.

CIE is the new offence of being the keeper of an uninsured vehicle where a Statutory Off Road Notification (SORN) has not been made. It

compares records between the Motor Insurance Database (MID) and the DVLA's registered vehicle database to identify keepers of potentially uninsured vehicles. It will identify the 1.4 million vehicle keepers who do not have a valid insurance policy on the MID.

Following an initial warning letter, a series of escalating penalties will apply starting at a £100 fixed penalty through vehicle clamping, seizure and destruction of the vehicle, as well as court prosecution and a fine of up to £1,000.

Graeme Trudgill, BIBA's Head of Corporate Affairs, commented: "CIE has been a great example of how the insurance sector can work closely with Government for the benefit of motorists, we will be working hard over the next few months to ensure insurance brokers are ready for the launch of CIE and doing everything we can to help motorists comply."





# BIBA fights for FSCS change

BIBA's Chief Executive Eric Galbraith and Head of Compliance Steve White recently gave evidence on the Financial Services Compensation Scheme (FSCS) to the All Party Parliamentary Group (APPG) on insurance and financial services.

Eric commented: "Firstly, we made it clear that we agree with the concept of compensation and it plays an important part in increasing public confidence in financial services. But, recent levies on our members, have been disproportionate and we are paying for the failures of companies who should not be in the same sub-class as us."

He explains these firms mainly mis-sold PPI and that their primary business was not insurance intermediation. Eric continued: "Secondly, there was supposed to be a consultation on the FSCS at the end of last year but this has been delayed. I'm not convinced that the FSA have the desire to really try to resolve this. I want to start things moving now so that we can create a more equitable scheme of compensation."

Steve then gave a detailed

presentation on how the FSCS operates and of the current five subclasses.

He pointed out that the insurance class is split into two sub-classes – one for insurers, the other for intermediaries.

The insurance intermediary sub-class is the largest subclass by size and the most diverse by type of firm. Of the 13,500 firms in our sub-class, only 3,500 are professional insurance brokers, firms for whom insurance is their core business.

Steve said: "This exposes the professional insurance broker to compensating for the failures of a wide variety of firms, from banks and mortgage brokers through to car dealers, doctors dentists and vets. And, as we have seen, the mis-selling of PPI by credit brokers has caused a 70 fold increase in FSCS levies over the last three years."

He explained that because there is around a two year delay in complaint activity and compensation demands and so it is clear that PPI compensation is going to keep rising for the next few years.

The impact of all this, says

Steve, is that smaller brokers in particular may struggle to keep trading, resulting in job losses or even closure.

Since the APPG meeting the FSCS has announced an increase in the budget for the insurance intermediary sub-class from £61m last year to £69.5m for 2011-12.

BIBA is urging the FSA to begin consulting on a new funding model for FSCS in time to have

new rules in place for their 2012-13 financial year – namely in April 2012. We also want a model which separates the professional insurance broker from other sellers of general insurance and removes the cross-subsidisation of one class by others.

BIBA is also engaged on a mission of raising awareness and plans to present a petition on behalf of members to be tabled in the House of Commons.

## Play your part – sign our petition

**BIBA has launched a member petition to be tabled in the House of Commons on the FSCS. The petition which has been sent hard copy to all BIBA members, calls for the House of Commons to urge HM Treasury to accelerate the FSA's review of the FSCS consultation with immediate effect.**

**Members are being urged to sign the petition and return it to BIBA. A draft letter has also been produced by BIBA which should be printed out by members, personalised and then sent to their local MP, via their office at the House of Commons.**

**Brokers who are part of a larger group with offices in different areas, are being asked to send separate letters to each constituency and encourage as many members of staff to sign the petition.**

Members with any queries should contact Steve White at [whites@biba.org.uk](mailto:whites@biba.org.uk)



# BIBA's website – refreshed and renewed

BIBA is well advanced with work on its new website, with the final version expected to be up and running in the late spring.

Head of communications, Leighann Burtrand, who has been involved in the project along with web specialists FWD says, “this is a major project, given that this is a key resource for members – and members of the public seeking guidance on insurance”.

She comments: “The website has grown extensively since it was developed in 2007 and the current navigation is not user friendly and needs to be addressed. We have been working on this since December and it is now looking good – I hope members will be pleased with the finished results.”

Changes to the website include:

- Improved broker access to membership information through enhanced navigation and search functions
- An enhanced ‘Find a Broker’ search to promote it as a member benefit through enhanced search and results
- Improved communication channels with members by positioning the website as key channel for all BIBA communication.

Feedback and input was sought from BIBA's General Insurance Brokers' Committee (GIBC) on the plans and from a group of marketing and communications professionals within member firms.

Leighann adds that once the ‘Find a Broker’ element is complete, an application for iPhones and Android phones will be produced to help with BIBA's campaign to promote brokers.



## Axa triumphs in BIBA 6 a-Side football



From left to right: Olly Pryke, Tris Lewis, Dan Mahoney, Matt Webb, Nathan Bartlett, Greg Wingate, Craig Pruden

Insurers and brokers competed recently in the first BIBA (Anglia Region) 6 a-Side football tournament, with Axa Insurance's Haverhill branch coming out on top.

The event also produced a winning result for The Insurance Charities – with a total of £189.20, being raised. James Yeandle, Regional Financial Controller for Towergate Risk Solutions of Bury St Edmunds, says the event was so successful, it will now take place annually with the aim of raising charity funds as well as having an enjoyable – and active – day.

Axa will now hold the trophy for a year, having beaten Equity Insurance Group by 2-0. Meanwhile Towergate beat LV= also by 2-0. This meant Equity finished second, Towergate third with the wooden spoon going to LV=.

He explains that preparations have already begun for next year's event and he is provisionally looking at a May 2011 – details will shortly be provided to confirm the exact date and full event details.

James added that Allianz and Insurance Risk Solutions, while not entering a team, donated towards the funds raised.

The first quarter of 2011 has been full on with a range of MP, Government department and key association meetings. **Leighann Burtrand** provides a round-up of what's been going on

## Europe

- BIBA met with MEP Peter Skinner to discuss Manifesto and regulation issues
- We hosted a lunch with MEP Sharon Bowles, chair of the economic committee to explain BIBA's position on the Insurance Mediation Directive (IMD) revision and other regulatory issues
- We attended the BIPAR mid-term meeting and are pleased with the progress on the IMD revision

## Meetings with MPs

- We met with MPs Penny Mordaunt, Jonathan Evans, Caroline Nokes and Lord McKenzie to discuss signposting and Manifesto issues
- We met with MP Philip Dunne and Lord Clement-Jones to discuss broker issues including the FSCS. We also pressed on with communications to Mark Hoban, Financial Secretary to the Treasury, to raise FSCS concerns
- We met with MP Ben Wallace at Ministry of Justice to discuss issues related to the Bribery Act
- We met with MP's Mark Garnier, Simon Wright, Nia Griffith and Christopher Pincher to discuss regulation and manifesto issues

## Government departments

- BIBA attended the HM Treasury for a number of meetings to cover:
  - Signposting
  - Changes to the use of gender in rating for insurance
  - We arranged to discuss the FSCS issue in the House of Commons with the All Party Parliamentary Group on Insurance and Financial Services and produced a Parliamentary Briefing on FSCS for MPs
  - We attended the Flood Summit Working Group meeting at the Department for Environment, Food and Rural Affairs (DEFRA)
  - We responded to the Office of Fair Trading's private healthcare scoping paper

**BIBA discusses Insurance Mediation Directive (IMD) with Peter Skinner MEP who is the rapporteur on the forthcoming Insurance Guarantee Scheme Directive**

# On your behalf

## Working with other associations

- BIBA hosted a Flood Working Group meeting with the Association of British Insurers (ABI) and specialist brokers. We also opened discussions with ABI on possible friction issues between brokers and insurers
- We met with the Motor Insurance Bureau (MIB) to produce the new national continuous

insurance enforcement campaign

- We responded to the Solicitors' Regulation Authority (SRA) consultation on the Future Client Financial Protection Arrangements and also met with the SRA regarding the consultation paper on financial protection arrangements
- We attended the Intermediary Working Group of Employers' Liability Tracing Office (ELTO)

## Access to ECGD for members

**BIBA has formed an agreement with the Government's Export Credits Guarantee Department (ECGD) to provide members with access to the ECGD export insurance scheme for their clients.**

**The agreement will mean that brokers can access the scheme to insure UK exporters against non-payment by their overseas buyers. Access to this government backed insurance scheme has, until now, only been available direct from the Government to businesses.**

**In addition, a sub group of the BIBA Trade Credit Risk Focus Group engaged with senior executives of ECGD to re-work the current Export Insurance Policy (ExIP) wording so that it provides adequate support for exporters and also can be used to obtain trade finance.**

**Peter Staddon, Head of Technical Services, said: "In the last 18 months, our members have seen the availability of credit insurance reduce. BIBA engaged with ECGD to plug this gap to help UK businesses on an international stage and encourage business overseas."**

## BIBA HQ and regional

- We issued regulation updates to members on the FSA and FSCS interim fee and levy papers (CP1 1/2) and financial sanctions-related issues
- BIBA held its Trade Credit Focus Group meeting
- We held a Health Insurance Focus Group meeting
- We updated members in Northern Ireland on electronic motor certificates
- We held compliance forums for the London Market, in Leeds, Belfast and Glasgow
- BIBA issued information to members on the Consumer Credit Directive

## Media

- BIBA spoke out on the fact that premiums for female drivers are set to increase following the EU gender ruling on BBC TV and various BBC radio stations and websites.
- We received media coverage in various trade and national publications including the Sunday Times, the Guardian the Daily Mail, the Daily Express and the Financial Times.

**Leighann Burtrand is BIBA's Head of Communications**





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# Time for a new start

BIBA has commissioned two key studies into the future of regulation and the contribution brokers make to UK plc – **Vannessa Young** explains why we must take the lead and lobby for change

What does general insurance intermediation and agriculture have in common? At first glance little, but in terms of their contribution to the UK's economy the two sectors are level pegging both contributing a valuable 1% to Gross Domestic Product (GDP), the audience at a recent Parliamentary reception hosted by BIBA in conjunction with the All Party Parliamentary Group on Insurance and Financial Services was told.

BIBA was at the House of Commons to lobby for a new, more proportionate and cost effective approach to broker regulation from the Financial Conduct Authority (FCA), when it takes over the responsibility for supervising the sector from the Financial Services Authority (FSA) in 2012.

The move was prompted by unease at the FSA's change in style and adoption of an increasingly intrusive and costly approach to regulation and supervision since the financial crisis. In particular, concerns that the burden of regulation falls too heavily on the UK's general insurance intermediary sector for the limited regulatory risks that they pose and

that the costs they must pay towards the regime are seriously out of kilter with other European countries.

BIBA came armed with the findings of two pieces of important research that it had commissioned in support of its call for the development of improved regulation for the general insurance intermediary sector. The first piece was from London Economics which looked at the contribution of general insurance intermediaries to the UK economy, while the second piece by Charles Rivers Associates (CRA) looked at the future regulation of brokers.

Speaking at the reception Eric Galbraith, BIBA's Chief Executive, said that the Future of Regulation research demonstrated the critical contribution made by insurance intermediaries to UK plc, which put their activities on a par with other sectors such as agriculture. Yet, despite the critical importance of general insurance intermediaries to the UK's economy, their activities, role and contribution towards the functioning of the insurance market was often little understood or valued, the London Economics research also determined.

Eric said the research showed that

the FSA's current regime for general insurance intermediaries had not been based around the identification of regulatory risk. Instead, the FSA had been "too quick" to identify issues in other unrelated sectors and apply them to general insurance intermediaries. "The result has been an increasingly intrusive approach to supervision, based on supervisory gut feel rather than on prescribed rules and consultation," he added.

CRA had been asked to investigate what appropriate and proportionate regulation might look like under the FCA. In particular, they were asked to assess whether the regulatory costs faced by general insurance intermediaries were proportionate to the risks posed by the sector and set out an overview of the desirable direction of future regulation. They were also asked to consider the potential risks that the general insurance intermediary sector might pose to regulatory objectives.

Those investigations revealed that there were only two significant risks of market failure which insurance brokers posed



“BIBA wants a fresh approach from the new Financial Conduct Authority – an approach that focuses much more on the limited risks that our research has identified”

to the regulator’s objectives which were identified as being the potential loss of client money, and the potential for low quality advice resulting in products being mis-sold.

It was in these areas that the new regulator should focus, Eric opined. “BIBA wants a fresh approach from the new Financial Conduct Authority – an approach that focuses much more on the limited risks that our research has identified,” he added.

The complexity of the FSA’s client money rules had made them hard to follow, resulted in mistakes being made in their administration and generated considerable cost for firms, researchers for CRA found in their interviews with members. Insurers applying different standards to risk transfer agreements were also cited as adding further difficulty. In the light of these problems the CRA research suggested that there was some merit in the FCA adopting a more simplified approach to client money in the future. Insurers and brokers could also help ease the position by developing industry wide standards which would simultaneously result in a reduction in the



complexity of the arrangements and cut risk.

The potential for low quality advice by insurance intermediaries was also identified as an area where there was significant risk of market failure, according to the research. Existing FSA rules aimed at limiting poor advice had resulted in few problems arising which was demonstrated by low claims against brokers’ professional indemnity insurance.

Below: Minister, Mike Penning MP meets with brokers after addressing reception

Far below: BIBA chairman, Patrick Smith speaks with Insurance Times

However, one area where mis-selling had occurred despite current regulatory requirements had been in relation to payment protection insurance (PPI). The FSA was currently trying to resolve this with proposed rules which would allow them to intervene earlier to reduce customer detriment and place greater responsibility on the manufacturer to ensure that their products are appropriately designed and sold.

The CRA research suggested that in addition to greater product regulation, changing the focus of the FCA’s supervision towards conducting file reviews rather than assessing whether organisational processes existed should also be considered. This was not suggesting that the FCA needed greater resources as a consequence of this shift in approach, but that those resources ought to be deployed in a different way, the research noted.

Adequate resources had also occupied members in recent months, particularly the larger ones, the research found. The FSA in its 'Dear CEO' letter to intermediaries in February 2010 had expressed concern that many firms were still unable to demonstrate to themselves, or the regulator, that they had adequate resources in place. Subsequent efforts by members to meet the demands of this letter had left many feeling that this was an area in which the regulator was being unnecessarily heavy handed.

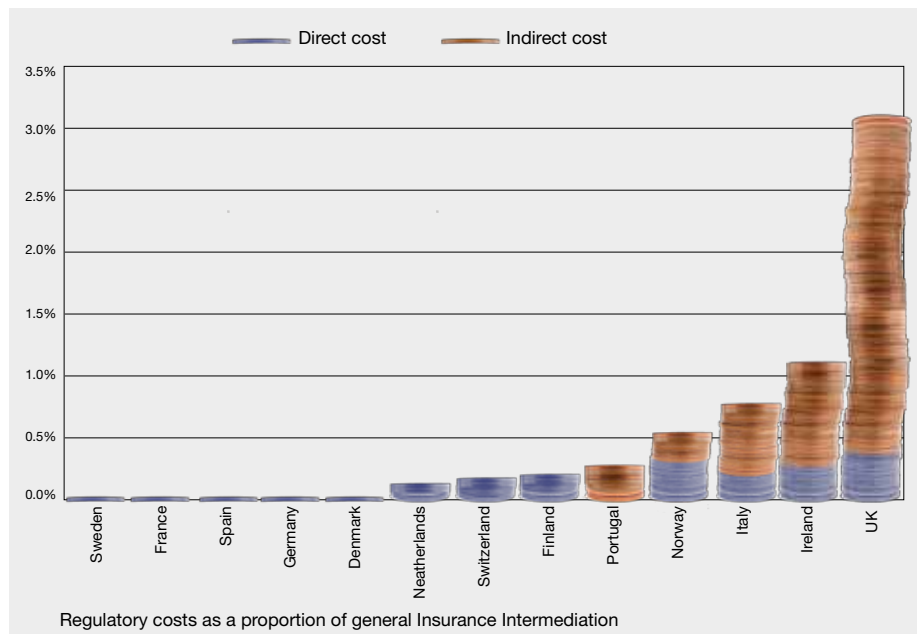
It was felt that given that insurance brokers do not take on credit, liquidity or insurance risk holding resources to protect against contagion in the broking market as a result of a failure was disproportionate.

Larger brokers among those interviewed about adequate resources told CRA that they had been required by the FSA to hold substantial amounts of capital in excess of that specified in prudential rules. Firms also considered the scenarios under which they were being asked to hold additional capital were 'so remote as to be implausible' and more akin to the risks run by the banking sector. This requirement for additional capital had been introduced with little notice to the firms involved and opaque methodologies used which had not been subject to public consultation, researchers learned.

The research recommended that it would be preferable for the FCA to consult on whether changes to existing capital requirements were needed. However, the fact that the research had failed to turn up any evidence in support of the argument for extra capital would seem to suggest that this was not the case. Any proposed changes to the regime would also need to be subject to the standard consultation process and cost benefit analysis.

Turning to post-sale redress, the costs associated with the Financial Services Compensation Scheme (FSCS) loomed large in the CRA research. Interviewees were found to be particularly frustrated by the sharp increase in the FSCS levy which had resulted from the large number of claims relating to payment protection insurance (PPI). BIBA members expressed concern that they were being asked to share in the very substantial costs of PPI claims despite many of them never having sold these products and believing themselves to be operating in a high quality manner.

The research said it should be considered whether splitting the FSCS general insurance intermediary sub-group by the different characteristics of firms such as whether general insurance broking is their main form



of business activity was an option. It was also suggested as an alternative, or alongside changing the FSCS sub-groups, whether a more risk reflective levy could be introduced to assist in differentiating between firms that impose different risks, encourage better risk management and align more closely with the principle that the 'polluter pays'. CRA noted that this could be achieved by basing the levy on risk indicators such as income from different product types, whether or not a firm had appointed representatives, the presence of binding authorities and any other regulatory indicators of risk.

The research also gathered figures on the direct and indirect cost of regulation in the UK and Europe. General insurance intermediaries in the UK were found that they had to contend with very high indirect and direct regulatory costs which were significantly out of proportion to those in other EU member states. The research demonstrated that regulatory costs were three times the size of the second most expensive European country

which was Ireland. Regulatory costs were found to be particularly high for small firms, where revenues were less than £1 million, and large firms, where revenues were above £150 million.

Commenting on the research, Steve White, BIBA's Head of Compliance and Training, said: "The research highlights just how out of line with the rest of Europe the regulatory costs to UK brokers are. Not only are the direct costs, such as the fees and levies the highest by a wide margin, but the indirect costs bear no relation to costs elsewhere in the UK."

Looking to the future, BIBA will use the findings of the research to push for the development of a new regime which focuses much more on the limited regulatory risks posed by insurance intermediaries as identified.

Eric said: "Our members tell me repeatedly that they want certainty and so a more prescribed approach on areas like capital requirements and adequate resources would seem to be more appropriate. We are an important, valuable and low risk sector. This should be reflected in a more appropriate and proportionate approach from the regulator. We would welcome the opportunity to discuss with HM Treasury, the FSA and the new FCA, how this can be best be delivered."

The CRA report entitled 'Future regulation for insurance brokers' and London Economics' report which is called 'The contribution of insurance brokers to the UK economy' are both available for download from the BIBA website.





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**Kirsty Wingrove**



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Brokers attending this year's conference, Opportunities in Adversity, are invited to visit BIBA's stand to see a preview of the brand new upgrade and to feedback with their views on future development. The enhancements to broker ASSESS will result in improved content and navigation, while remaining superb value.

Broker ASSESS is well established, having been launched seven years ago – it is provided by BIBA in conjunction with the Chartered Insurance Institute. Its aim is to help brokers with the Training and Competence (T&C) requirements for FSA regulation.

Through broker specific assessments, the tool provides a clear measure of employees' knowledge and understanding. It identifies gaps for learning purposes so that compliance with T&C requirements can be continuously reviewed and maintained. The system also provides a quality management information system for record keeping purposes. Regulators need evidence and

so the manner of recording and retaining of this is vital.

All the output of tests and on-going development is held within a secure database facility and because broker ASSESS holds all the evidence, there is no need for managers to worry about this responsibility.

In addition, we have an active user group – the members of which are listed on the BIBA website. This includes large and small brokers and we welcome involvement from new members – please contact me to find out more at [wingrovek@biba.org.uk](mailto:wingrovek@biba.org.uk)

Continued on page 16

# How broker ASSESS works for us

**Stephen Clowes**, director of underwriting and broking for Millennium Insurance Brokers and the Direct Group, explains how broker ASSESS has become part and parcel of his business



Broker ASSESS was first introduced to Millennium's underwriting and administration staff in 2003. At that time I hoped it would provide a consistent and measurable solution to our varied training and development needs which covered personal and commercial products as well as term life and payment protection

I had been managing director for just a year, and I knew that we were struggling with our training and technical competence in some areas, and more importantly that we did not have a complete understanding of the current competencies and in house skills of all our staff.

Broker ASSESS seemed to provide the answers. It measured competence through its assessment and online learning processes. We could see what people were doing well at and not so well at. We used the system fully and in conjunction with some on site face to face training, as we got to grips with what was to become the new FSA regime in January 2005.

It provided the up to date technical information and training our staff needed. The annual training events for data protection, financial crime and the like were easily covered and recorded. We could see any gaps and it focused our priorities on the main training needs for each member of staff.

The reporting suite then gave us evidence of our activities as a group and as individuals. These were now needed for

our regulators and the CPD log available from the system proved to be invaluable.

We have used broker ASSESS fully since that time. For existing staff to support training and development and for new staff to initiate an induction programme to ensure competence. Where we have launched a new product line we have used the online modules with additional use of the assessment centre. In this way we designed our own tests and made them entirely appropriate to the product.

It has been a really cost effective and efficient way to cover our training needs. When you think of the cost of bringing external trainers in, and the day rates charged by them or even taking up management time to train others it is easy to financially justify using broker ASSESS.

Managing the use of the system, with all the tools currently available on it became part of the standard business as usual operations procedure each month.

Taking up a minimal amount of time. The department managers were given the information they required to manage their staff and we use the performance indicators as part of the appraisal process as well. In fact it was and is part of our quality and control procedures.

Millennium became part of the Direct Group in 2008. Things have changed quite a lot in this period, but because broker ASSESS is internet driven and completely flexible there was no difficulty when we moved offices.

It has been a great learning support for our new staff as well as we have expanded and we have now started to deploy broker ASSESS in the wider group activities for non-customer facing staff covering issues such as data protection and TCF.

The reporting suite has provided our governing board with the evidence it needs of our competence to fulfil our broking role, and as supporting evidence for the CII to gain and maintain our Chartered Broker status.

"It has been a really cost effective and efficient way to cover our training needs"



#### W B Baxter Ltd

"We have used broker ASSESS for some years now and find it an excellent tool for training staff both on regulatory and technical matters."

**Bob Plumtree ACII,  
Chartered Insurance  
Practitioner Compliance  
Manager**

#### Foster Leighton & Co Ltd

"It was a very busy time getting ready for the FSA's TCF assessment. One area that was easy to evidence was training and competence, thanks to broker ASSESS. Within seconds, all the reports for the company's qualifications, CPD activity, training records and competency testing were collated and printed for the FSA."

**Rod Fry, Director**

## What brokers say...

#### The Broker Network

"We see broker ASSESS as a vast learning and reference library, easily accessible and highly useful in helping our people to attain and maintain competence, as well as being an effective tool in assisting us with assessing knowledge competency. We have developed our Training and Competence Framework to work alongside broker ASSESS and can see members developing their practices as a result."

We have supported our members during FSA onsite assessments, where the effective use of broker ASSESS has

provided valuable evidence of competency with a range of reports including an easy to use CPD recording tool which enhances management information in this area.

We are encouraged by the continued development of the broker ASSESS system and have seen real improvements being made over the past few years. Sitting on the user group panel, we see first-hand, the hard work that goes into ensuring that user's feedback is actively sought and acted upon."

**Jenny Hemmings,  
Compliance and Training  
Team Leader**

#### Oxygen

"Oxygen has been using broker ASSESS for four years to monitor its staff's knowledge and awareness of insurance and regulatory issues. The system covers the range of topics that are of interest to us and is sufficiently flexible to accommodate revisions to our approach from time to time. Management of a hundred users by a single individual has been straightforward. It is pleasing to see that broker ASSESS continues to evolve, deploying new units and developing new administrative structures and processes."

**Peter Laws,  
Compliance Officer**

Kirsty Wingrove is BIBA's head of Membership



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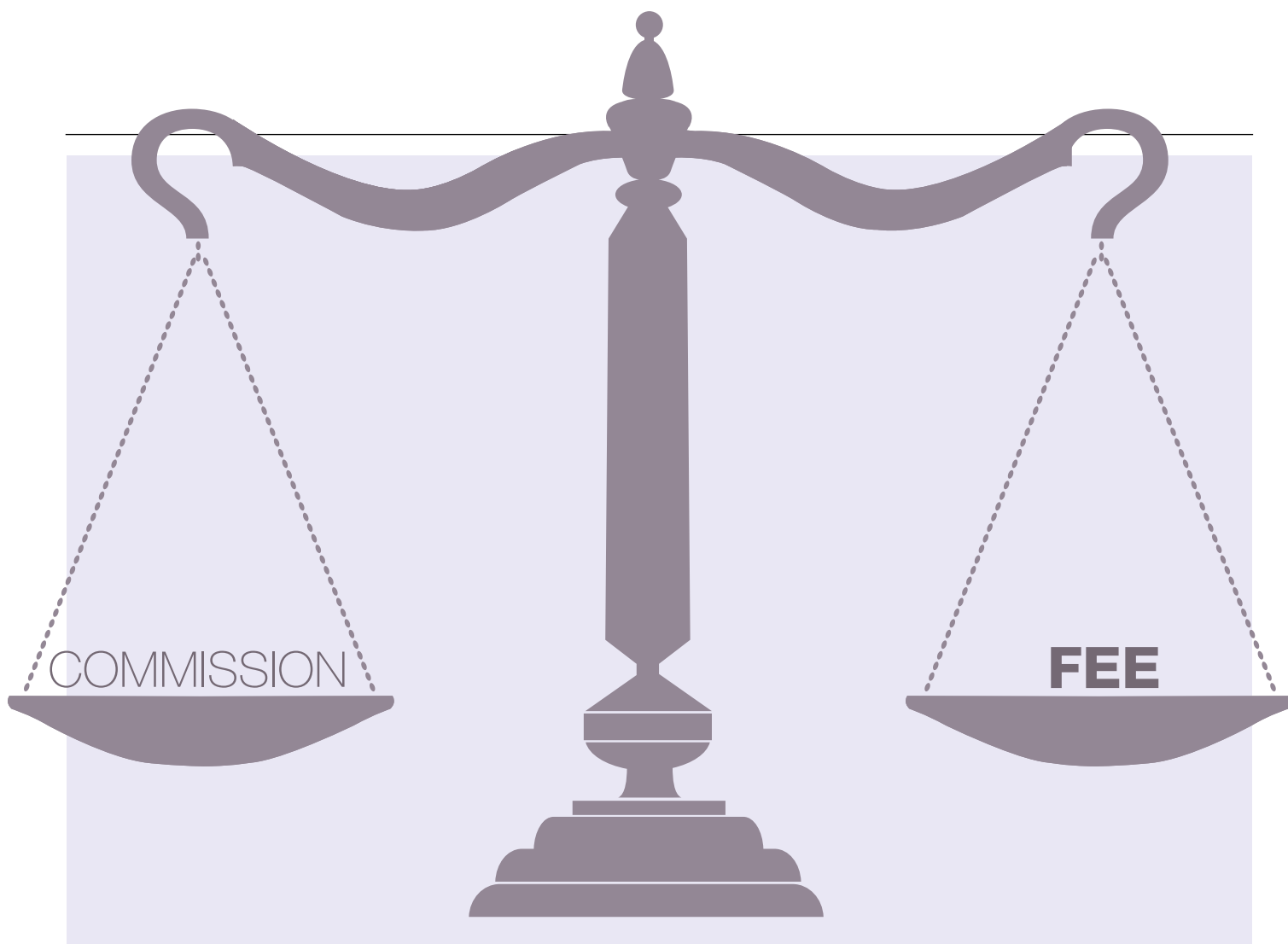
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# Fees for all?

With the emphasis on transparency, there is a gradual creep towards more brokers operating on a fee basis. But, for those looking to make the switch, careful planning is needed advises **Edward Murray**

Transparency is clearly a good thing and general insurance brokers recognise the need to work within the industry developed solution around commission disclosure and remuneration, available on the British Insurance Brokers Association's (BIBA) website.

Indeed this solution has been accepted as official industry guidance by the Financial Services Authority (FSA) and there is currently no reason to suspect the FSA, or its successor, will introduce mandatory disclosure while all evidence points to the satisfactory working of this 'on request' approach around commission.

Sometimes, though it feels like there is an almost extremist religious overtone to regulation with the stipulation on brokers to make their clients all seeing and all knowing when it comes to commission and remuneration. However, many clients just want to know the total price.

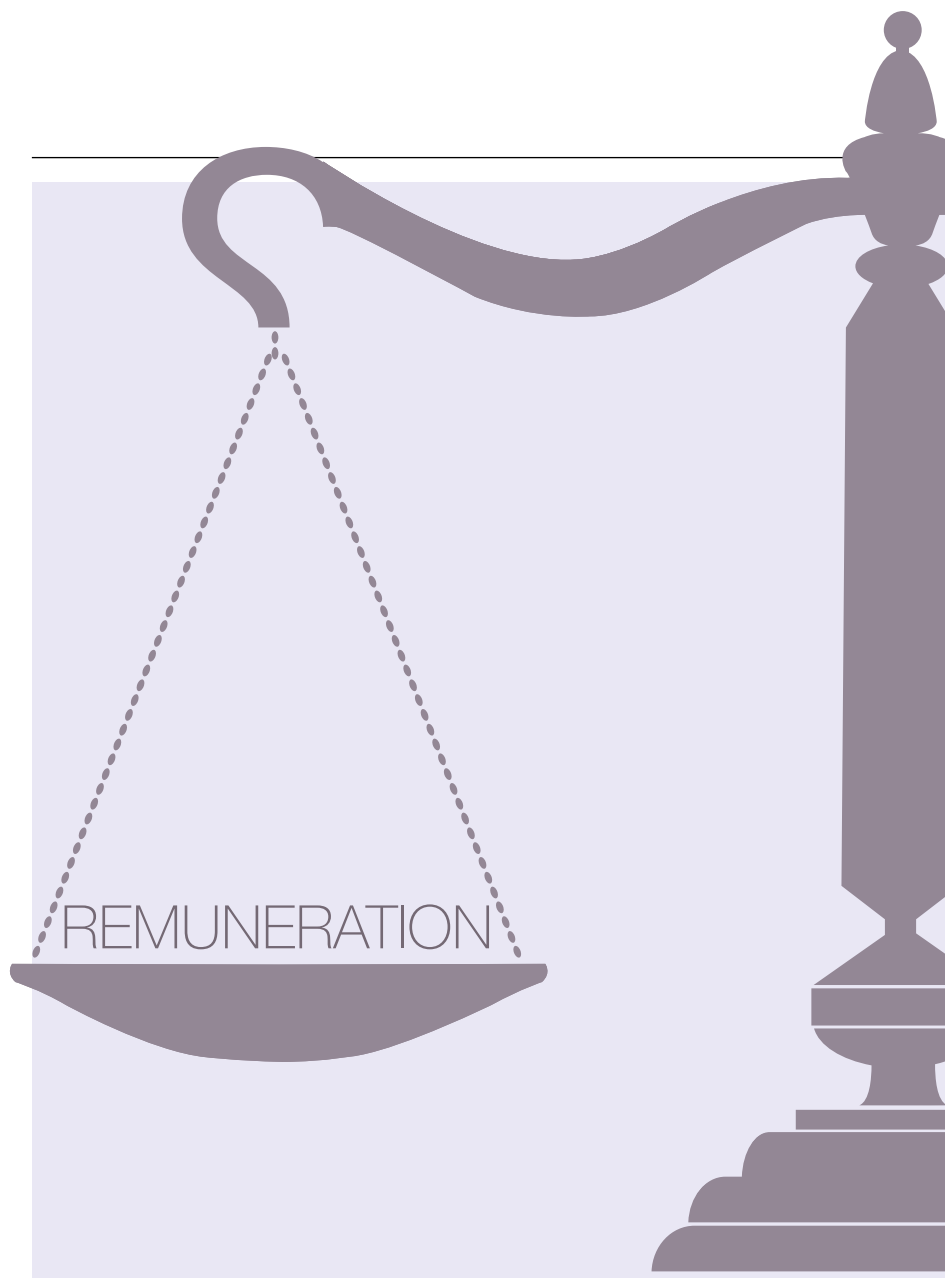
Even so, it does seem that splitting the cost of insurance and offering fees is something that more and more brokers will have to do in the fullness of time.

BIBA Chief Executive Eric Galbraith, knows this is not going to be a priority for all brokers and says: "Many members are still

heavily based around commission and this is how their customers want to work. Their customers do not want to think that every time they do something with their broker they are going to be attracting additional fees. This is a very competitive market."

Equally, however, Mr Galbraith says offering fees can bring an extra dimension to a brokerage. "I think there is a growing appreciation of the need to have the option of fees. Fees bring out a reality about the work you are doing and the remuneration required to do that work. They also create a transparency about the amount of work you are doing and the cost it entails."

Understanding the cost of the work being done is essential for brokers looking to make a move to fees and they must have a very clear view of their own business, the costs it accrues and how they relate to the services provided, if there is to be any headway made



on developing an effective fee structure for clients.

There seems to be a tendency to under value the work done by brokers. Competition is fierce and while customers might feel they have succeeded in achieving lower fees there needs to be a reality check on what value and services they will receive in return for the fee.

Brokers also have to be very clear about the different services they offer clients. Breaking down their service proposition into its individual constituents will allow them to charge for each of the services in turn and value them accurately.

When a commission is paid for an all-encompassing service, it is often easy to lose sight of all of the things it covers and taking time to set out each individual service is important if the fee option developed is going to be comprehensive in what it covers.

For brokers moving in this direction, the last thing they want to do is undercharge for their

efforts by not charging for certain services they have failed to isolate in the fees. In time this will see them overcharge for the services they do put a value against and make it difficult for them to remain competitive.

There is also an argument that moving towards a fee option is a step closer to professionalism and certainly in terms of how brokers are perceived by their clients.

Manchester broker Caunce O'Hara has embraced the opportunity to offer a fee option to clients and Adrian Stewart, business development executive for the firm, says: "Brokers who currently charge fees to their clients will have an edge in what will undoubtedly be a changing market over the next few years."

He adds: "To be recognised for offering a service as valuable as that provided by the accountancy and legal professions, the broker has to wake up to the fact that charging for time and quality advice is

something that clients are prepared to accept. It is simply a case of educating the client as to how value can be added that will allow a smooth transition away from commission arrangements."

Again this boils down to the broker having a clear understanding of the business, its costs and how these equate to the services offered.

To help it get a handle on these issues, Caunce O'Hara uses software developed by Alphatec Software called Timebox, which enables it to record and analyse the time spent on individual clients and the various activities carried out on their behalf.

Mr Stewart explains: "It provides a simple remedy to allow the accurate recording of time expended. This not only provides evidence of activity and work undertaken, it also disciplines those attending to files to record all client related matters."

From a management perspective Mr Stewart says this is useful in determining how brokers' time is spent and allows a picture to be built around how the income earned equates to the hours spent on a particular case.

Not only is this knowledge indispensable when working out what fees to charge, but it can also play an important role in keeping clients on board at renewal.

Brian Boyce, operations director at Alphatec, points to one broker that used the system to pull off an activity report for a client and show exactly what work had been done on the account. He says: "In the end the client stayed where it was as it was worried that it might not get the same level of service from the competing broker and if it did that rates would be pushed up the following year."

Other brokers have developed their own in-house systems and Aon uses one called Activity Analysis to track the work done, create an idea of the costs incurred and relate it to the fees and commissions earned.

Similarly there are other timesheet tools available in the market, although Mr Boyce says Timebox is the only one that is insurance market specific and which has already begun integrating with the market's software providers such as Open GI.

The bottom line is that for brokers considering a move to fees, it is not just their clients that must have an all seeing and all knowing understanding of the remuneration process. Brokers must also achieve this level of understanding around the costs their business incurs on a daily basis and how these costs relate to the individual tasks and services provided to clients – only then will a move to fees be genuinely successfully.



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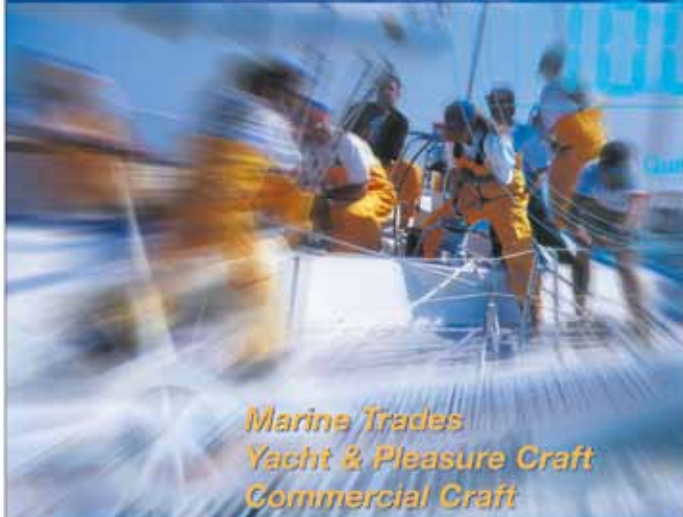
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# All set for BIBA C

As the conference returns to Manchester for the third time in seven years, organiser **Nick Chapman** asks BIBA's Eric Galbraith and Lindsay Campbell for their thoughts on this year's must attend event





# Conference 2011

**NC: Eric, first of all, could we ask you to talk about the theme of the conference this year and give us some background on why it's relevant?**

**EG:** Absolutely. 2011 may well prove to be a really difficult year for general insurance brokers as we face the combined challenges of a depressed economy together with the complete reorganisation of the regulatory framework. Add in higher inflation and the imposition of a further 14 per cent increase in the FSCS levy and you can appreciate that we are indeed facing an age of austerity.

But, as we all know, the UK economy will depend on small businesses to kickstart it back into life. And brokers are mostly archetypal SME's, naturally innovative and creative. So despite all the gloom in the press I feel very confident that brokers can respond incredibly positively to these challenges.

**NC: Lindsay, how have you responded to the theme in looking at the speaker programme?**

**LC:** Well, every year we try to match the speakers to the conference title and this year is no different. One thing we achieved last year was to balance the programme over the two days so delegates can get an equal split of keynotes and seminars so they have a real choice if they can only attend for one of the days. And within the keynotes we wanted to balance out the general interest sessions with industry specific topics. We thought that worked really well and is something we're going to repeat for 2011.

So we'll have two industry sessions, the first one to open on Wednesday, and for that we have the President & CEO of Aon Corporation, Greg Case, flying from the US to get us off to a great start. Then on Thursday we have the very topical Regulatory Forum. Both sessions we felt we had to include this year.

But perhaps the 'celebrity' speakers fit the message more closely. On Wednesday we've booked someone who never gives



up, no matter what obstacles face him. Nothing seemed to daunt him on his 860 days walking the whole length of the Amazon. Anyone who saw his recent TV documentary on the Discovery Channel will know what I mean when I say we can learn from his absolute commitment. It's been a number of years since we asked an

adventurer to present, but they've always been inspiring and I'm sure Ed Stafford will be no different!

Closing the conference on Thursday we'll have our 'star' speaker, Lord Alan Sugar. His tough, no nonsense approach really comes over so well on The Apprentice and of course he's renowned as a great entrepreneur, so I'm sure he will have a lot to say about looking for opportunities in a recession.

**NC: Are there any other ideas you've come up with to bring the theme to life?**

**EG:** I can think of at least four of the seminars which will have particular relevance to SME's and their marketing. We've got a case study from the man behind the 'Trunki' brand, which is a lesson in design, marketing and perseverance. Then we've got a session on presentation skills, which I know will be very popular. After all it's no good having the best idea in the world if you can't communicate its benefits to your backers and distributors. Add in a session on the use of social networking sites for business and a Small Business Workshop, I would say we've got a very targeted conference programme.

**LC:** Could I just mention that we're launching our own conference App for smartphones? We know from our research that the main reason we get so many exhibition visitors is that they see it as the best networking opportunity in the insurance calendar. A huge amount of business gets done at the conference, a great many contacts made and meetings held, but we're always on the look out for something to improve the experience. So we've spent a considerable amount of planning time looking at options for the mobile phone App. Rather than starting from scratch we've decided to adapt an App developed by a New Zealand company. Powered by ShowGizmo we think it will really bring the whole experience to life and help delegates to network even more effectively.

## NC: Could you explain how it's going to work Lindsay?

**LC:** Well, once you've booked your ticket, you'll be invited by ShowGizmo to download the App and to register your details. This will all be done prior to the show. You'll be able to keep a tab on your meetings schedule, get alerts from exhibitors, reminders of sessions about to start and also be able to connect with other delegates at the show. We're going to trial it at the show this year, but I'm very confident that it will quickly become one of the most useful tools we've ever launched.

## NC: Turning to the venue, could you explain to members why we're returning to Manchester?

**EG:** The short answer is that it's incredibly popular with both exhibitors and delegates! Exhibitors like it as it's a large open space, easy to get in and out of and all the hotels are within walking distance. Delegates say they like it because, again it's easy to get to, it's got a varied and extensive nightlife and everything is so central. It regularly gets voted as the best venue for the BIBA conference.

**LC:** We know from the numbers how popular it is. Manchester 2005 was a record, as was 2009.

## NC: Does that mean you're projecting another record attendance this year?

**EG:** I think it's unrealistic to expect Manchester to outperform London in terms of total visitor numbers. London is swelled by a big commuter presence and with so many of the multi-nationals based in the South, it's easy to see why London always performs so well for us. We actually registered 4,020 visitors in 2010. But in terms of broker numbers I think Manchester can compete. It's up to us to continue to make the event worth attending. I appreciate that time is of the essence for hard working brokers but we say 'if you're going to attend any event at all this year, make sure it's BIBA!' After all, unlike the other conferences which are run for commercial reasons, the BIBA conference is run by a not-for-profit trade association – with the income re-invested in the broking market.

## NC: Could I ask you both what your hopes are for the conference this year? Lindsay?

**LC:** I'd like to see the fringe programme take off and become an intrinsic part of the event. Of course, I'd like the App to be really useful, but because I know how much fun it will be,



Greg Case, keynote speaker (see below)

I'd really like the Comedy Store night on the Wednesday to sell out!

**EG:** I'm looking forward to hearing from Greg Case. He's an excellent speaker so that should be a highlight. I'm hoping for a really worthwhile debate on Regulation on the Thursday. We've got a good panel so that should be unmissable. But really I'm looking forward to meeting up with as many members as I can and sharing experiences. It's about work, and new business but it should be fun as well. BIBA conferences always have a special atmosphere so more of the same please!

## EVENT PROGRAMME & TIMETABLE

### Wednesday

08.30

10.00

11.15

11.45 – 12.30

12.30 – 14.00

13.00 – 13.45

14.10 – 15.00

15.00 – 16.00

16.10 – 17.00

17.30

### May 11

Exhibition opens

Conference opens

Opening keynote session

Greg Case, President & Chief Executive Officer, Aon Corporation

Refreshment break and extended networking session in exhibition hall

Fringe sessions (open to all)

Lunch in exhibition hall

Fringe sessions (open to all)

Keynote session

Ed Stafford, Amazon Adventurer

Refreshment break

Seminar sessions (choice of three)

Exhibition closes

### Thursday

08.30

09.30

10.30 – 11.20

11.20 – 12.00

12.10

13.00 – 14.30

13.45 – 14.30

14.30

16.00

### May 12

Exhibition opens

Keynote session

The Regulatory Forum

Seminar sessions (choice of four)

Refreshment break

Closing keynote session

Lord Alan Sugar

Lunch in exhibition hall

Fringe sessions (open to all)

Networking session in exhibition hall

BIBA 2011 closes



Ed Stafford, keynote speaker (see left)



Lord Alan Sugar, keynote speaker (see left)



# We'll see you there

Brokers are at the heart of Opportunities in Adversity and a strong turnout is expected in Manchester. There are certainly many reasons to attend as **Rachel Gordon** reports

Brokers from across the UK will be heading to Manchester Central on 11-12 May for this year's BIBA conference, Opportunities in Adversity. For those who have attended before, their reasons for attending are clear – there is nothing else like it, which is why so many put the dates in their diary as soon as they are announced.

But, what about those who may not have been to the conference before? Although it is free for brokers, it does mean taking time out of the office, and for many firms, this is never easy and particularly in these tough economic times.

Neil Wyatt, Marketing Manager for West Country brokers Higos Insurance Services, says his firm will be sending six delegates. "I went for the first time when it was held in London in 2010. From the moment I got there I started networking – there is so much value to be had from meeting people face to face."

One message is clear from brokers – attending the conference is viewed as extremely important from a business perspective. "We are there to build business, such as talking to insurers about schemes. We have a debrief at the end so we can find out what each of us has captured in terms of ideas and contacts – we get such a lot out of it," says Neil.

Meanwhile Vida Wilson, Associate Director with JLT London Market Risks, which is part of Thistle Insurance Services, is a wholesale specialist, based in Liverpool. She comments: "This is the one place where you'll see people you normally only ever speak to by phone or email – as well as many more who you can do business with. It is not accurate to say the conference is a bit of a jolly, yes, you can have a good time, but, the business benefits are outstanding."

She adds: "I am a BIBA committee member, so I do know what is going on, but there are many members who are so busy in their jobs, that they don't have the time to get involved in wider industry issues. The conference is the one time when they can find out about BIBA and what they are fighting for – and that means protecting brokers. I see brokers as professionals and you need the backing of your federation."

Sometimes it is good to listen to the experiences of others to bring a fresh perspective. Peter Elliott, Director with Bluefin Insurance and based in London, says: "This is unequivocally the number one conference for the industry. Whether you want to be doing deals or seeing some top quality



presentations, this event is unparalleled. Personally, I have also found some of the people I've heard highly motivational. Those that spring to mind include adventurer Bear Grylls, athlete Roger Black and Olympic coach Frank Dick.

The exhibition is key to the BIBA conference and a number of schemes specialist brokers both attend as delegates and exhibit. Lynn Richards-Cole, Associate Director – Group Business Development for Birmingham's Perkins Slade, says: "The conference provides us with a valuable opportunity to engage with the industry on a more personal level. Our people work hard to maximise the opportunities on offer, taking full advantage of meeting senior industry figures, researching the market and of course the social events. We return to our offices, some in a slightly delicate state, but with renewed enthusiasm and focus."

"This year we are taking a stand to promote the suite of products in our new BIBA Credit Insurance Scheme and so instead of our usual team of 8 there will be 10 of us – so please come and visit us."

Brokers make the BIBA Conference what it is – so the message for all members has to be, make sure you are a part of it in 2011.





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# We have a solution

After several years of lobbying for an agreed route to signposting across the insurance industry, real progress has been made, with BIBA playing an instrumental role as **Graeme Trudgill** reports



A fairer deal is on the way for customers who do not fit inside the 'standard' mould which is often the focus of the direct and aggregator market. This is because a more formalised system for signposting – namely supplying details of an alternative suitable provider if one provider is not able to help – is now being finalised.

BIBA has been campaigning to HM Treasury and the Government Equalities Office for signposting for several years – we see it as essential in a number of ways. At

its most basic, signposting is in the public interest as it helps people access cover, for example where an older traveller has been refused cover outright they are left without insurance protection. Yet there is no market failure, simply a lack of awareness of where to get the cover, signposting also helps raise the profile of brokers since they are in the market for advising on niche or non-standard insurance and so we believe this will be a win-win for customers and our members who can and do place the business.

Every working day BIBA receive more than 1,000 enquires to our 'Find a Broker' call centre and website, these are from people who are struggling to find insurance (about 20% commercial and 80 % personal). But, there are still plenty of people who have until now been unaware of this service and are unsure of where to seek help.

Access to signposting and why this is important is a component of the Equality Act 2010 and a new consultation paper linked to the act has been launched, Equality Act 2010: Ending age discrimination in services, public functions and associations.

We are pleased that there is an exemption to the Equality Act for financial services, which means that insurers will continue to be able to rate based on risk – it is also positive that the consultation paper calls for a system of signposting for anyone that has been refused motor or travel insurance because of their age. It is a testament to BIBA's members that the government recognises BIBA as a dedicated signposting solution.

Dan Moore of consumer body Which? has attended a number of meetings at Treasury and fully supports signposting as a way to benefit consumers. He comments: "We would have liked to have seen signposting made compulsory, but it became clear that the government does not want to create new legislation. So, we want a tough voluntary code that will carry weight – this will not work if only the good guys are following the code. So, there must be support across the industry and a commitment to train people to try and assist anyone trying to buy cover."

So, what are the next steps? Firstly, there will be a new service level agreement which is being drawn up by BIBA, the ABI and the Government.

All this will mean there will be a requirement for those insurance providers who cannot help the motorist or traveller (due to their age) to refer to a provider who can meet their needs or refer them to a dedicated signposting service such as the BIBA call centre – this information will also need to be made available online for those using the internet to try and obtain a quote.

These are measures that can be implemented easily and at low cost for the insurance industry. The Equality Act will come into force by April 2012 and we are confident that the new signposting regime will be implemented alongside it helping both customers and our members.

---

**Graeme Trudgill** is BIBA's Head of Corporate Affairs



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# On the record

A group of senior executives from leading insurance companies spoke to BIBA on a range of hot topics



**Chris Hanks**  
General Manager  
Allianz Commercial



**Amanda Blanc**  
Chief Executive Officer  
AXA Commercial Lines



**Laurent Matras**  
Managing Director  
Groupama Insurances



**David McMillan**  
Chief Executive  
Aviva UK General  
Insurance



**Barry Smith**  
Chief Executive  
Ageas



**Steve Wood**  
Managing Director  
Ecclesiastical UK & Ireland

## **BIBA: What do you believe are the main opportunities for insurers and brokers?**

**Chris Hanks:** Tough economic times provide us with the opportunities to demonstrate value and support customers. In a difficult economic environment what our customers really need is great service, great protection and great stability in our businesses.

**Amanda Blanc:** Insurers should be looking to make life as easy as possible for their broking customers – being flexible, innovative in product development and embracing new ways of working. E-commerce cuts red tape and means decisions can be made more efficiently. For brokers, it's about the products you offer and how you do it – look for niches and specialisms.

**Laurent Matras:** The general insurance market is suffering. Claims farming, fraud and personal injury inflation have devastated the private car market, while adverse weather has wreaked havoc in home insurance. In the commercial market, rates remain rooted at the bottom of the cycle as players tussle for volume and profitability is propped up by reserve releases.

This sort of painful reality might restore underwriting discipline in the market and

lead us back to sanity. Insurers will need broker support. This will mean carrying some unpleasant messages to clients about pricing increases, tighter underwriting and risk management. However, the prize of profitability and stability for clients will be worth it.

**David McMillan:** We want to be number one for brokers in personal and commercial. I also see opportunity for us in corporate and speciality risks to grow our market share. More widely, customers' needs are evolving and changing but brokers and insurers in the UK are incredibly dynamic so we will respond, through exploiting technology, increasing e-enablement and removing costs.

**Barry Smith:** How we work together in partnership to help customers with the right products and services remains critical. The expertise of the broker in being closest to the customer together with the technical expertise of insurers is a powerful combination.

**Steve Wood:** Opportunities for insurers are to provide security and certainty, to get closer to our customers, provide risk management advice, earn loyalty from our customer base with the quality of our advice and service delivery. We also need to develop talent and make insurance an attractive career choice.

## **BIBA: The style and cost of regulation is not proportionate. How can we work together to get the right regulation?**

**Chris Hanks:** We have had a difficult financial crisis and, although insurance is nowhere near as culpable as the banking industry, we have had our own traumas. However, if we run better businesses, have more qualified people and more sustainable business models, we will have less regulation.

**Amanda Blanc:** The key thing here is not who regulates, but how they do it. We need a clear, fair and simple regulatory framework and recognition insurance is not banking. What's most important is doing the right thing for the customer, so brokers and insurers need to maintain a united front – and keep talking.

**Laurent Matras:** There's safety in numbers. BIBA should be working with the ABI and other industry bodies to drive out an appropriate regulatory framework. There are some important conversations to be had about ensuring a properly joined up approach between them, so that either the PRA or FCA are taking a clear lead. It would be useful to preserve some of the ARROW process.

The costs of regulation have risen



**“Insurers and brokers need to work together more closely”**

**Chris Hanks**

stratospherically in the last three years, and while care has been taken to demonstrate a segmented approach, it's impossible to escape the impression insurers and brokers are paying for the folly of the banks.

**David McMillan:** My personal opinion is that as an industry we have been poor at influencing policy makers and speaking with one voice on the issues that matter to us. I would like to see one broker body, speaking not just with one voice but a louder voice.

**Barry Smith:** We need to be clear about the things that need changing and lobby collectively, such as FSCS fees, and support each other in getting them changed. We should also demonstrate our own house is in order by supporting initiatives such as the Aldermanbury Declaration.

**Steve Wood:** We need to make sure we lobby together effectively as insurers and brokers, through our associations. We need



**“TV adverts mainly push commoditised personal lines products.”** Amanda Blanc

to keep pushing for regulatory impact to be proportionate and relevant.

**Q: What skills areas do you believe need to be addressed?**

**Chris Hanks:** We have neglected the skills of our people. Insurers and brokers need to work together more closely on training and development. We need the quality, capability and skills needed to take the industry forwards. This means being committed to the Aldermanbury Declaration, aiming to achieve Chartered Status and minimum levels of qualifications.

**Amanda Blanc:** We need to keep up with the age of the social network where Facebook is king. It's important we are dynamic in our underwriting – and embrace things like real time price changes – as well as the development of e-commerce skills.

**Laurent Matras:** Brokers bemoan the loss of technical skills and expertise within insurers and they express concern about their own inability to attract the right quality of people into their businesses. It is heartening to see the market signing up to the CII's Aldermanbury Declaration and increasing the proportion of people with Chartered status.

Our Springboard programme has been a success not only in terms of growing our own management talent and expertise but in identifying people to help us fill more senior positions. In the past we might have recruited externally with all the delay, extra cost and potential disruption that are sometimes involved.

**David McMillan:** We are here to provide peace of mind to our customers, so the claims proposition and service must be paramount and continue to invest in our

core underwriting capabilities. We must also demonstrate a real depth of knowledge and expertise to ensure it's not just about price.

**Barry Smith:** Insurance offers a great career – from technical areas such as underwriting through to business disciplines, marketing, IT, HR and finance. The challenge remains how we attract and retain the best talent and create an environment where insurance is seen as a desirable profession rather than something people simply fall into.

**Steve Wood:** Analytical, modelling and actuarial/statistical skills. We also need to address CRM and customer service skills – the focus needs to be more on the customer experience and less on monitoring “transactions”. Underwriting and claims disciplines also need to be strengthened.

**BIBA: What do you believe are the value added benefits obtained from the broker channel?**

**Chris Hanks:** They are experts in their field and provide flexibility. They bring their expertise but because they deal with other insurers they allow us to write the business we want to write but also have other markets for the business we are not so keen on. This keeps us on our toes.

**Amanda Blanc:** Good advice!

**Laurent Matras:** We should never forget brokers remain the first line of underwriting. Their close relationship with the client can also mean a significant impact on risk and claims management.

**David McMillan:** Brokers are close to their customers, understand their customers, know their risks and they provide that one on one service – all enormously valuable.

**Barry Smith:** Brokers are in the frontline



**“Insurers will need to take tough decisions about where they invest their capital”** Laurent Matras



**“As an industry we deliver a valuable service for the economy”** David McMillan



when it comes to understanding customer needs. Guiding people through the range of choices to ensure that they get the right insurance cover for them continues to be the area where brokers add unique value.

**Steve Wood:** A real knowledge and relationships with the customer.

**BIBA: Do you expect to see insurer consolidation in 2011/2012?**

**Chris Hanks:** The market would welcome some more consolidation but unless it is a major player that is up for sale it is unlikely there will be any meaningful mergers in the foreseeable future.

**Amanda Blanc:** The Solvency II regime will provide large diversified companies with a potential advantage over the smaller mono line or niche players due to the increased cost of capital under the new rules, so this could lead to increased consolidation.

**Laurent Matras:** Profitability is being squeezed and insurers will need to take tough decisions about where they invest their capital to ensure the best return. Those who have ridden the recessionary conditions best will be well placed to take advantage of acquisitions.

**David McMillan:** Yes... Solvency II is likely to be a major catalyst.

**Barry Smith:** Yes. The drive for consolidation will continue.

**Steve Wood:** Yes, this seems inevitable as capital requirements become more onerous and as companies look for ever-greater efficiencies and scale advantages. Counter-balancing this, specialists will continue to prosper.

**BIBA: Do you think TV advertisements over the last 12 months or so are appropriate? And do you think they do anything to enhance our reputation?**

**Chris Hanks:** Recent TV advertisements do nothing to enhance the reputation of our industry but I've no doubt they generate customers for organisations that have a marketing-led business model.

**Amanda Blanc:** TV adverts mainly push commoditised personal lines products. As such, we are talking about distributors of these products being retail brands. Much of the creative work is right up there with the best UK retailers, such as John Lewis or Marks and Spencer. Adverts are appropriate and have enhanced the industry's reputation.

**Laurent Matras:** It is good to see some humour in the way that our products are being promoted. It is about time that we all



**"We need to make sure we lobby together effectively as insurers and brokers" Steve Wood**

lightened up. My main concern relates to the continuing focus on price and ongoing commoditisation. Price is the easy sell.

What about selling the value? We offer cost effective products that can be life changing.

**David McMillan:** As an industry we deliver a valuable service for the economy and to individual customers but we're not great at promoting this, I can see the industry trending away from pure price to focus on what we actually do for our customers. The rise of online and social media is challenging the status of TV advertising across the world.

**Barry Smith:** Advertising messaging over the last 12 months has been predominantly price based not surprisingly given the current economic climate. It would be good to see more messaging focussed on quality of product and service.

**Steve Wood:** No, I don't think the



**"The challenge remains how we attract and retain the best talent" Barry Smith**

advertisements do anything to enhance our reputation as an industry. There is too much there that trivialises and cheapens the products. More focus by the mass market players needs to be placed on the quality of service.

**BIBA: With the increase in usage of Statement of Facts, have you seen any increase in non-disclosure, have you any measure of this and to what degree it is contributing towards premium increases?**

**Chris Hanks:** We are seeing an increased propensity for fraud which ultimately drives up premiums. Is the Statement of Facts the principle reason for that? No. There are liars, deceivers and fraudsters whether they are using the Statement of Facts or not.

**Amanda Blanc:** We have not seen any real change in terms of Non Disclosure as part of the move to a statement of facts. There are risks and issues from whatever method we use. Rather than worry about potentially losing the granularity of data and 'options' for risk avoidance we had in the past, we need to recognise the world is changing and understand how our different interactions can be managed. There may be some need for premium increases depending on the circumstances, but I have yet to see anything meaningful.

**Laurent Matras:** We have seen little in the way of increased non-disclosure as a result.

However, we have seen a tendency to less detail being available in broker presentations accompanying the Statement of Facts, meaning a greater reliance on the risk survey. Counter fraud activities might be highlighting more non-disclosures, rather than the Statement of Facts offering greater opportunities for misrepresentation.

**Barry Smith:** Current behaviour on aggregators has led to an increase in non-disclosure. We are tackling this by improved levels of fraud detection and validation.

**Speaking out are Chris Hanks, General Manager for Allianz Commercial, Amanda Blanc, Chief Executive Officer for AXA Commercial Lines, Laurent Matras, Managing Director at Groupama Insurances, David McMillan, Chief Executive for Aviva's UK general insurance business, Barry Smith, Chief Executive of Ageas and Steve Wood, Managing Director for Ecclesiastical UK & Ireland.**

A lion stands in the center of a vast, blue, wireframe landscape that resembles a digital or virtual environment. The landscape is composed of a grid of lines that recede into the distance, creating a sense of depth and perspective. The lion is positioned on the right side of the frame, facing left, and appears to be walking or standing on the grid. The overall color scheme is a deep blue with white wireframe lines.

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# Ahead of the pack

Credit insurance, after the event claims support and a Private Car and Commercial Vehicle offering including an accident management extension are the latest addition to the BIBA stable, which aims to assist members who want to outpace their rivals. **Steve Foulsham** reports

## Help for those caught up in the credit crisis

While many forecasters predict that 2011 will see a continuation in the steady improvement that began in 2010, businesses are still finding it difficult to secure lending. In addition, as the banks recapitalise, many businesses are being asked to replace overdraft facilities and loans with finance packages.

This is an additional burden for those companies struggling to recover from losing their cover when insurers changed their underwriting approach at the height of the banking crisis.

As premiums soared and cover was withdrawn, a substantial number of organisations have been forced into a position where they needed to trade unprotected and uninsured. In addition to loss of cover, these companies lost the

benefit of the disciplines and procedures outlined in their credit insurance policy; their guiding principles for credit risk management.

However, there is hope on the horizon, capacity is returning to the market and there has been an increase in the availability of commercially acceptable terms.

Rates have stabilised and insurers are now writing more business and agreeing cover on a business by business basis. Insurers have developed more sophisticated risk assessment techniques however, as they have adopted more stringent underwriting, they are also demanding that firms provide a much more comprehensive financial picture.

Now, more than ever, companies need an experienced broker to help them meet insurer's requirements and obtain the cover they need to protect their business.

For many businesses the crisis in credit

insurance has highlighted the wide-ranging benefits that a comprehensive credit management programme can deliver. Credit management is not just about an insurance policy. The right combination of cover and credit management services can help businesses to establish effective credit control systems and disciplines that can help businesses grow and prosper as well as minimising the risk of bad debt.

For more information about BIBA Credit Management and Bonds, a scheme that includes credit insurance, bonds, business finance, collections and credit reports, call 0844 875 8148 or email [darren@biba-credit-and-bonds.com](mailto:darren@biba-credit-and-bonds.com) or visit [www.biba-credit-and-bonds.com](http://www.biba-credit-and-bonds.com)



### ATE claims advocate service launched

In response to broker demand, loss recovery insurance specialist Lorega has launched an after the event (ATE) claims preparation, mitigation and negotiation service for homeowner, commercial and corporate clients as an extension to the existing claims helpline, available to members as part of the BIBA scheme.

Operated by Lorega's independent loss adjusting company, Lorega Solutions, the on-demand claims advocate service will run alongside Lorega's established loss recovery insurance product.

While traditionally the loss adjuster represents the interests of the insurer, Lorega only acts on behalf of the claimant to get their business running at full capacity

again or their family living in a fully repaired home as soon as possible.

The cost of delivery will be individually negotiated to reflect the circumstances and complexity of each case and could be charged at an hourly or daily rate, percentage of the recovery, or a flat fee. Brokers will also receive commission.

Lorega's team of over 50 chartered loss adjusters will be available to handle a wide spectrum of claims. They will be led by Lorega Solutions Director Angus Tucker who, before joining the firm in May, was Grant Thornton's Client Services Director. He is also immediate Past President of the Chartered Loss Adjusting Association.

While working with brokers to provide their commercial and high net worth clients with

loss recovery insurance, Lorega says it has become clear that some policyholders who declined to purchase cover at inception would benefit from the ability to quickly obtain professional advice from a claims expert in the event of claim.

By setting up an after the event claims advocate service to supplement the loss recovery insurance product, Lorega says it can now provide brokers and their clients with the support service they need, regardless of how and when they want to pay for it.

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For more information, contact  
Lee Bennett on 0207 767 3070 or  
email [lbennett@lorega.com](mailto:lbennett@lorega.com)

### Accident management – getting what you pay for

Accident management, total accident management or full claims management, however you describe it, the outsourcing of motor claims handling has never been more popular with brokers.

All accident management companies (AMC's), are proactive when a non-fault accident claim is involved as this is where the referral fee income from courtesy car hire and personal injury is made, which in turn subsidises the product cost. What happens though when it is a fault claim or a theft? This is where the AMC's divide into two camps:

#### First Notification Of Loss only (FNOL)

These AMC's will take the First Notification Of Loss (FNOL) and report the claim onto the insurers on the client's behalf. Normally the AMC involvement ends here, the client being told to either let the insurer or their broker know if they have any issues.

Calling out of normal opening hours could be met with a message taking service that passes to the AMC the next working day, which may not be of help to a client after an accident has rendered the vehicle unroadworthy and needs recovering. Due to the lower claims handling costs of this process, this product is almost always available to the broker at no cost. This type of AMC can normally be identified by their

point of sale literature which concentrates heavily on the benefits of their non-fault accident assistance service. In contrast, there is also:

#### Total Accident Management

These AMC's will also deal with the FNOL, but will act as the client's champion throughout the claim until settlement, endeavouring to minimise the client's involvement, using a proactive approach with the insurer and updating both client and the broker throughout the claim.

The AMC should have facilities to provide key services out of hours, most notably vehicle recovery if the vehicle is unroadworthy. These AMC's will be used by those brokers willing to pay for the enhanced service for their clients.

#### BDElite

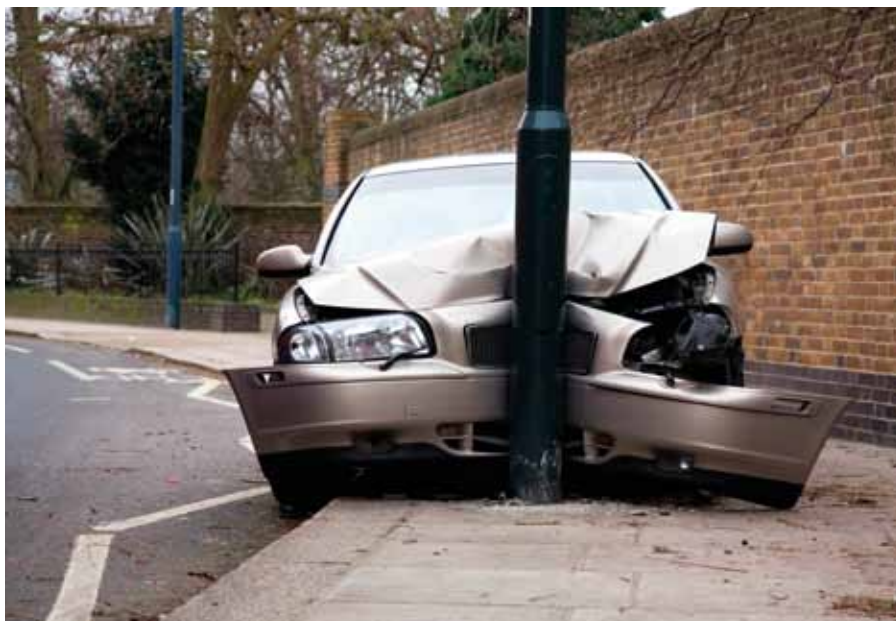
This is the total accident management service from Broker Direct, as an extension to the private car and commercial vehicle policies available to BIBA members. Endorsed by BIBA, Broker Direct is committed to delivering the highest standard of service as evidenced by the testimonials from both brokers and their clients.

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For more information about the cover, service and benefits of BDElite, call Elaine Brooks at 01204 543725 or email [Elaine.brooks@brokerdirect.co.uk](mailto:Elaine.brooks@brokerdirect.co.uk)

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Steve Foulsham is BIBA's Technical Services Manager





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



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# Working it out

Understanding the Thorough Examination, obtaining consent for the storage and use of customer data and online marketing rules are under the spotlight

## Put quality at the heart of a Thorough Examination

Many brokers with commercial clients may need to insure plant and machinery and as a result, answer potentially complex questions – including on the procedure known as the Thorough Examination.

It may surprise some that fork lift trucks injure as many people at work as vans, cars and HGVs combined – with one person seriously injured or hospitalised every day through an accident involving a fork lift truck, according to the HSE.

Examinations may be required as frequently as once every three months in certain applications and environments and unlike an MOT, the first Thorough Examination is due when the truck is just one year old. But, unlike an automotive MOT, the Thorough Examination – which is a routine inspection for a fork lift truck – is open to some interpretation.

According to Consolidated Fork Truck Services (CFTS), there is a great deal of confusion among inspection providers regarding exactly what should be inspected. For example, although it is widely accepted that any examination must include the forks and the lift mechanism, it is much less clear whether the brakes and the steering need checking.

CFTS is a joint venture between the two major industry trade associations in materials handling, namely The Fork Lift Truck Association (FLTA) and The British Industrial Truck Association (BITA).

It says there were different versions of the Thorough Examination and so the inspection provider is able to decide what should and should not be included.

To improve matters, CFTS was formed to create a single, national procedure available to fork lift truck users, wherever their industry or location. The result is a comprehensive procedure and code of practice, recruited

expert staff, provided management training and the mechanism to monitor standards.

Companies accredited to the scheme – and there are more than 300 of them covering the length and breadth of the UK – can be identified via the kite certification mark.

The nub of the problem is that there is not a single piece of legislation exclusively for fork lift trucks. According to Chas Day, technical manager at CFTS, there are two statutory instruments in force in the UK, PUWER 98 and LOLER 98.

While the Provision and Use of Work Equipment Regulations 1998 (PUWER 98), covers everything from photocopiers to motor vehicles, the Lifting Operations and Lifting Equipment Regulations 1998 (LOLER 98), embraces equipment such as tower cranes, rock climbing equipment and dumb waiters in restaurants.

Mr Day says: “The task facing CFTS was to establish a “best practice” process that offers the appropriate level of inspection for the equipment and the greatest level of protection to those responsible for the safety. And that embraces not only the fork lift truck operator but also the many more co-workers and pedestrians who come into contact with what is a very dangerous piece of equipment.

“There are still inspections being carried out under the banner of Thorough Examination that only check those items covered by LOLER. In our view, that really is only doing half the job.

“How can you claim to have properly inspected a truck for safety if those items that come under PUWER are simply ignored? In my view that leaves unsuspecting managers and directors potentially exposed to prosecution should anything go wrong.”



“It may surprise some that fork lift trucks injure as many people at work as vans, cars and HGVs combined”

Brokers should visit [www.thoroughexaminations.org](http://www.thoroughexaminations.org) to see if a Thorough Examination provider meets CFTS standards – they simply enter the post code in the member finder tool to see if a firm is accredited. There is also a short video about the Thorough Examination.

## Consent is key with new EU cookie law

Businesses and other organisations running websites in the UK are set to be impacted by new EU legislation.

Information commissioner Christopher Graham said the law will come into force on 25 May 2011 and it is an amendment to the EU's Privacy and Electronic Communications Directive.

The law will require UK businesses and other organisations to obtain consent from visitors to their websites in order to store and retrieve usage information from users' computers.

One common technique of storing information is widely known as a cookie. This is a small file that a website puts on a user's computer so that it can remember something, for example the user's preferences, at a later time.

The majority of businesses and organisations in the UK currently use cookies for a wide variety of reasons – from

analysing consumer browsing habits to remembering a user's payment details when buying products online.

Mr Graham explained: "While the roll out of this new law will be a challenge, it will have positive benefits as it will give people more choice and control over what information businesses and other organisations can store on and access from consumers' own computers.

"The Directive will come into force in less than two months time and businesses and organisations running websites in the UK must wake up to the fact that this is happening and we're working for a solution.

"We recognise that the internet as we know it today depends on the widespread use of cookies and there are of course legitimate business reasons for using them. So we are clear that these changes must not have a detrimental impact on consumers nor cause an

unnecessary burden on UK businesses. One option being considered is to allow consent to the use of cookies to be given via browser settings."

He said once the new regulations are published there will be an education and guidance programme. The Department for Culture, Media and Sport is leading on implementing the new measures in the UK while the ICO will be responsible for regulation.

Minister for Culture, Communications and the Creative Industries, Ed Vaizey, said: "Revisions to the e-Privacy Directive will provide consumers with more choice and control over their internet experience. But at the same time we need to make sure these changes do not make using the internet more difficult. Businesses need to be working to address the way they use cookies.

We recognise that work for a solution will not be complete by the implementation deadline. Therefore we do not expect the ICO to take enforcement action in the short term against businesses and organisations as they work out how to address their use of cookies."

## ASA launches online marketing rules

Brokers who are doing more online marketing must now adhere to new regulations set by the Advertising Standards Authority (ASA).

Marketing communications on companies' own websites and in other third party space under their control, such as social media portals Facebook and Twitter, will have to meet standards set out in the Committee of Advertising Practice code.

The ASA is calling on firms to ensure marketing messages on their websites are "legal, decent, honest and truthful". However, beyond these basic tenets, brokers also need to switch on potential changes since more may start to market using social media.

The ASA said with social commerce quickly growing in importance as a sphere in which business is conducted and user-generated comment being more closely monitored, companies could inadvertently breach the new regulations.

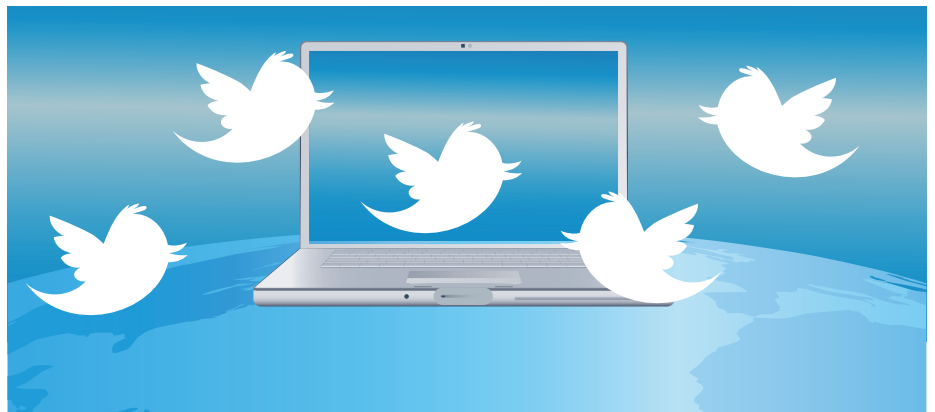
The new rules only apply if user-generated

content is used for marketing purposes, but it is still uncertain how this will be assessed and there could be mistakes made as firms adapt to this new environment.

Richard Anson, chief executive officer of online review website Reevo said companies require more explanation. "It's arguable that reviews generated by

customers to help others make a buying decision 'marketing'. It's here that we feel further clarification on the implications for brands using user generated content for social commerce purposes is needed. There are still e-commerce sites with a manual, DIY approach to reviews, and there are also platforms that are non-compliant, which could catch some retailers out."

The ASA said: "The UK Code of Non-broadcast Advertising, which includes rules to make sure advertisements do not mislead, harm or offend, will be applied to all UK-based company websites, regardless of the sector or size of business or organisation."





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New guidance to the Bribery Act is welcome because it outlines procedures which businesses can put in place to ensure they do not fall foul of this important new legislation reports **Vannessa Young**

“Combating the risks of bribery should largely be about common sense, not burdensome procedures” wrote Kenneth Clarke, Secretary of State for Justice, in his foreword to the much-anticipated adequate procedures guidance designed to help UK businesses understand the Bribery Act 2010 and prepare for its implementation on 1 July 2011. Clarke’s words should provide reassurance to businesses that they can continue to trade competitively and fairly under the new legislation without being overburdened.

Indeed, the guidance which details the procedures that commercial organisations can put in place to prevent bribery clearly shows that the government has listened

to earlier concerns voiced by business representatives and that a great deal of hard work has gone on in the background to ensure that the legislation is implemented in a workable way, especially for smaller firms with limited resources.

As well as advising on anti-bribery procedures the guidance includes practical case studies on hospitality (which the Act does not spell an end to), facilitation payments and joint ventures.

Publication of the guidance sparks a countdown to compliance, with businesses being given three months to familiarise themselves with the contents of the guidance and prepare themselves for implementation of the legislation. BIBA

has worked with commercial law firm Beachcroft LLP to produce guidance to the new Act designed specifically to help general insurance intermediaries.

Steve White, BIBA’s Head of Compliance and Training, said: “Two words leap out from the guidance upon reading it, particularly within the six principles which firms should be using to inform any anti-bribery procedures, which are ‘reasonable’ and ‘proportionate’. These should be the key words that members keep to the forefront of their minds during their preparations. Take it seriously, but keep things in perspective.”

Mathew Rutter, a partner at Beachcroft, who helped put BIBA’s guidance together, said: “The key thing I think brokers should have in mind is: if the Financial Services Authority or the Serious Fraud Office (SFO) came knocking, how would I prove to them that I have got adequate procedures in place? Even if you think that the risks to your business are minimal, you should make sure you have something in writing which shows how you came to that conclusion. Basic steps like that cost little or nothing, but could be invaluable. You need to be able to convince the authorities that this is an issue that you take seriously, and often it’s a case of a series of relatively simple steps that come together to form the right impression.

“You may feel that the risks you have identified are already managed in your existing procedures, or requires only small changes. Again, you should record in writing that that is your conclusion.

“However, you need to carry out your risk assessment properly. Your policy and procedures are useless if you’ve turned a blind eye to risks which you should have identified. You should also think about your terms of business, in particular arrangements with those who perform services on your behalf. Including an anti-bribery clause the next time you review the document is another low cost step which helps to show that you are managing the risk.

“Finally, while the guidance is helpful, it is not legally binding. The Act itself is unchanged. As regulated businesses, you should also look at what the FSA is saying on bribery and corruption, as they are probably the more likely source of any enforcement action against you.”

BIBA’s guidance for members can be found on its website at: [www.biba.org.uk/BrokerContentDetails.aspx?ContentID=1862](http://www.biba.org.uk/BrokerContentDetails.aspx?ContentID=1862)

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**Vannessa Young is BIBA’s compliance co-ordinator**



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# Know the rules of notification

For the client, receiving expert assistance with a claim can be invaluable – but to prevent further problems down the line, it is essential brokers follow the correct protocol, says **Pamela Grover-Mitchell**

Today's adverse economic climate is generating more insurance claims than ever. At the same time, insurers' investment returns remain depressed, and they are increasingly taking technical points on coverage issues.

Brokers can build client loyalty by finding ways to ensure a client's cover responds when it is needed. As effective insurance begins with a solid notification process, here are some practical steps which brokers can use when helping insureds to extract maximum value from their insurance when notifying:

### Make sure at inception clients know exactly what needs notifying

This is not always as simple as it sounds. Both travel and personal accident cover respond to illness, for example, but at different times: either the date on which illness makes travel cancellation necessary, or the date on which illness results in total disablement.

Basic notification provisions should also be highlighted at the outset. For instance, should the client make notifications to you, or to his insurers directly? Is there a specific notification form or can it just be made in writing? Such requirements usually take

effect as conditions precedent, so it's important to tell clients that failing to adhere will likely result in restricted (or no) cover.

### Be familiar with the detail of a policy's notification provisions before anything happens

This means the broker is always ready to guide a client through the process. Although the client should always be advised to notify urgently, it is particularly important to know when to notify:

REQUIREMENT	MEANING
Immediately	With all reasonable speed given the circumstances of the case
As soon as practicable	Current case law indicates under 3 months, but there's no hard and fast rule
Within a defined period (i.e. 14 days)	Within the defined
No provision	Within a reasonable time in the circumstances

### Know what to notify

Wordings normally define claims, but are less clear on possible claims/circumstances, which can be described in any number of ways in claims-made policies:

REQUIREMENT	MEANING
Circumstance which may give rise to a claim	A realistic chance of becoming a claim
Possible claim	As above
Circumstance likely to give rise to a claim	A 50%+ chance of becoming a claim

If the client is in any doubt he should notify, maximising his chances of securing the benefit of the policy's deeming provision; it is best to let insurers make the call in uncertain circumstances.

### Format is also key to successful notification of a circumstance

A good notification should:

- Clearly be intended to notify a circumstance
- Be a comprehensive representation of what the insured knows; this is not the time for clients to cherry-pick their version of the truth
- Not constitute an almanac of vague, tangentially-related matters. The law on block notifications is well-defined; insurance policies will respond to bulk notifications only if it can be shown objectively that all matters notified arise out of a single circumstance.

By finding ways to help clients get their cover to respond in the way it should by giving them practical support throughout the notification process, brokers can encourage them to return with repeat business and recommend them to other people. In addition, they can help protect their own position in what remains a challenging market. Satisfied clients do not sue or refer broker complaints to the FOS, with all the loss of cash and management time that such complaints can entail.

Pamela Grover-Mitchell is Risk Management Executive for Lockton Professions



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