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Why are there so few new start-ups?



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This magazine is about you and for you - so we do rely on your contributions. Please contact Leighann Burtrand with your news and views. Her details are in the contact list above.

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COVER IMAGE: MATT HERRING

Starting any new venture takes courage, but for those looking to establish a brokerage, there are requirements beyond this. Regulation, financing and dealing with powerful consolidators are among them.

As Katy Dowell discovers in her article, new start-up brokers seem to be an endangered species. Yet, biggest is not always best, and we would welcome feedback from members on this topic.

Are there members who are thinking of going it alone – but are finding it too tough? Let us know. There are plenty of strong, vibrant broking businesses out there. But we also need new names to enter the fray. Clients benefit from a

> competitive marketplace yet, given its current state, their choices look set to be increasingly limited in years to come.

In this issue, BIBA's compliance co-ordinator, Vannessa Young, looks at the FSA's treating customers fairly (TCF) initiative. It is good news that the regulator has moved its deadline to 2008 when it became clear that smaller brokers in particular were struggling to implement the FSA's requirements on TCF. But this does not mean that any firm can simply breathe a sigh of relief and move onto other matters. Now is the time to take action – BIBA support is available.



Editor of the broker

INSIDE SUMMER 2007







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VIEWPOINT

Eric Galbraith,

BIBA's chief executive, explains why he will continue to take the FSA to task if he believes the regulator is acting against members' interests

This year's BIBA conference, Achieving Excellence - the 29th in our history - was, in my opinion, one of the best yet.

Many of us will have good memories of a particular conference we've attended in the past, but this year's worked on so many fronts.

Highlights for me included the forum on the opening Wednesday, which brought together AIG's Martin Sullivan, Aon's Dennis Mahoney, Richard Ward of Lloyd's and Peter Cullum of Towergate. It is not often you can see such senior people talk so openly.

And I think our keynote speakers all complemented each other superbly. The former British Ambassador to the US, Sir Christopher Meyer, gave so much insight into political leaders. Chris Gardner talked movingly about being homeless, bringing up his son and making it on Wall Street. I would imagine many of us who have not seen it yet will be watching a DVD of the Pursuit of Happyness, which is based on his memoirs. I also particularly enjoyed being regaled by the satirical comedian and editor, Ian Hislop.

It was fantastic to see so many brokers from all over the UK attend London's ExCeL centre and I spoke with delegates from the far north of Scotland to Cornwall. We also had a number of representatives from overseas – a trend which is going to increase.

With the size we are now, it is not easy to find venues which can accommodate us in terms of exhibition and auditorium space and have enough hotels to suit all budgets within close range.

This time, we had the space to put on an exhibition where stands could be displayed to their best effect and there was room to walk round freely. From my perspective, this was a world-class event where we were able to showpiece our industry.

I've been delighted with the response so far, but would welcome those who attended to let me know directly what they thought.

Next year we are in Glasgow, a great city, where I worked for a number of years and which is a leading financial services centre.



As I said at the conference, we run our businesses, not the regulator, and we have to make sure that we are heard

But, there is no doubt that after Achieving Excellence, it has a tough act to follow.

Fighting on behalf of members

Anyone who needs to speak in public will understand when I say getting the tone right is not easy. After my opening speech at the conference, I had more delegates than usual say they felt it had been more hard-hitting than they had expected.

I'm pleased about this. BIBA is prepared to challenge regulators and the Government if necessary.

In particular, I expressed misgivings about the FSA's move towards principles-based regulation. This has been talked about by the regulator for well over a year but there appears to be little evidence that it is actually happening.

I'm certainly not happy that the regulator has announced it is conducting a forensic review of commission disclosure.

We have already worked extensively to produce a market-led solution with our Terms of Business Agreement. We consulted with the FSA on this and see no reason for further interference when there is no demand from customers for intervention.

At BIBA we have regular meetings with key people at the FSA and in many cases we have firstrate relationships with them. But it has been shown that the level of insurance regulation is already disproportionate in the UK compared to the rest of Europe.

All of us have a role to play in promoting - and indeed – defending our industry. As I said at the conference, we run our businesses, not the regulator, and we have to make sure we are heard.



Email Eric Galbraith at galbraithe@biba.org.uk **Mike Penning**

A learning experience

In 2005, my constituency of Hemel Hempstead witnessed the explosions at the Buncefield oil depot. Thankfully, what has been described as one of the largest incidents in peacetime Europe, resulted in no deaths or severe injuries. However, the explosion caused major damage.

A recent review by the Regional Development Agency responsible for my constituency reported that more than 90 businesses, from micro-enterprises to large

> companies, were "severely affected" by the incident due to damage to their premises and other business assets, or restricted access following the explosion. A further 1,422 were partially affected.

> Many of these businesses were forced to relocate away from the Buncefield area, and to date it has been estimated that there have been at least 265 job losses in the local area as a result. In addition,

some individual business owners re-mortgaged their homes to continue trading because their insurance didn't cover consequential losses.

SMEs are a vital part of the UK economy, employing around 12 million people. Effective planning to deal with unexpected events makes good business sense – it helps a business to be protected and to continue its essential operations in the aftermath of an emergency. Some businesses had trouble gaining speedy compensation from their insurers because they required additional information. With the correct planning and better understanding of the processes that follow a major incident, some organisations may have been able to gain compensation much faster.

The Government must help by promoting and supporting the good work of BIBA to raise awareness among businesses of the need for resilience planning. I also believe the Prime Minister should appoint a Minister to take overall responsibility, and show leadership in times of national disaster.

The experience of businesses around Buncefield has shown how major incidents can have a severe impact. It is vitally important that businesses prepare for the unexpected, take action and consult a professional broker. Let's all learn from the disaster at Buncefield.

Mike Penning is Member of Parliament for **Hemel Hempstead**

Eamonn Browne wins Francis Perkins Award

Eamonn Browne, director with member firm James & Browne of Coventry has won the prestigious Francis Perkins Award, given to someone who has provided BIBA with outstanding support and service.

Mr Browne received his certificate and gift from chairman Max Taylor at the BIBA conference.

He has been secretary to BIBA's West Midlands region for an incredible 27 years, a role which he describes as being "like second nature". Mr Browne has served as chairman of BIBA's Motor Committee for seven years and continues to be a member and is also on the GIBC as well as having been on the main board.

"It's something we all do on a voluntary basis, but I also find it enjoyable. There is a lot going on in this region, whether it is our halfday debates or our annual dinner which is always well attended, or our golf day."



Girls clean up prizes in **Young Broker Award**

Jessica Portsmouth is this year's winner of the Sheikh Abdullah Young Broker of the Year award and was presented with her trophy and cheque for £1,500 by Lord Sheikh at the conference.

Jessica, 29, is broker sales manager for affinity specialist Lloyd & Whyte and is based in its Wellington office. Michelle Willis of Giles Insurance Brokers and Laura High from the Davis Group were both highly commended and won £500 each.

Rising star: Jessica Portsmouth receives her trophy from Lord Sheikh



NEWS AND VIEWS



A record-breaking number of delegates - in excess of 3,200 - attended this year's BIBA conference which was held at London's ExCeL centre.

The event was hailed a triumph by the many brokers, insurance company representatives and affiliated industry specialists who

The theme of the event was to underline the professionalism attained by so many brokers throughout the UK and it brought together a huge range of businesses in a first-rate setting.

Mr Galbraith comments: "I don't want to get to caught up in the numbers, although of course we're extremely pleased that this was the biggest conference yet. But of more importance is that our members found the event worthwhile and that we keep the quality high. This will remain our focus and we have already started planning next year's conference in Glasgow."

This was the first BIBA conference held in London for 20 years and the capital's critical role as a major insurance centre was referred to. "We must be vigilant in maintaining the right conditions for it to flourish. The Government must ensure that London remains competitive internationally in all areas, particularly infrastructure, tax and skills," said Mr Galbraith.

In his opening address, Mr Galbraith also thanked the current chairman Max Taylor for his contribution to BIBA, including remaining on an extra vear while the trade body established new articles of association. "Max's wise counsel, knowledge and broad experience have been an enormous asset for us as we have gone through one of the most dramatic periods in BIBA's history."

The conference balanced key business issues, such as regulation and the EU, with inspirational speakers and practical business seminars.

Mr Galbraith also called on the broking industry not to forget its entrepreneurial roots: "Today, the broking market is being transformed by consolidation - and this has the potential to stifle entrepreneurialism, especially if the regulatory environment creates barriers. But consolidation is just one phase of the business cycle. Out of this should come

entrepreneurialism and the birth of new businesses - the start-ups, the $niche\,players\,and\,the\,nimble$ businesses able to move more quickly and flexibly than their competitors providing added competition and customer service."

Away from the presentations, seminars and buzzing exhibition there were over 170 standsdelegates also had a wealth of entertainment.

This included Street Life, a festival-type event arranged solely for attendees, which was held in historic Leadenhall Market. Leading street entertainers and cabaret artists performed while local food producers supplied tempting dishes. The event proved hugely popular and was a sell-out, allowing delegates to unwind and socialise until the small hours.

The conference concluded with the gala banquet, held at The Brewery in London's Barbican. A number of new acts took to the stage and comedian Milton Jones proved a huge hit.



Historic setting for Chairman's Dinner

This year's Chairman's Dinner took place in the crypt of St Paul's Cathedral where guests at the invitation-only event enjoyed a recital from the cathedral's choir and a talk on

The event is traditionally held on the first night of the conference with a small number of senior executives from insurers and national and regional brokers

Mr Galbraith comments: "This year's dinner was a very together many leaders from our industry. With this select audience and the superb music and acoustics, I hope it will hold many warm memories for our guests."



Glasgow hosts 2008 BIBA conference

Next year's BIBA conference will be held at the SECC - the Scottish **Exhibition and Conference** Centre - in Glasgow. This is the UK's largest integrated exhibition and conference centre and the event will take place between 30 April and 2 May.





Good sport Natalie wins top award

BIBA member Perkins Slade is celebrating the success of its employee, Natalie Lay, who has won the Birmingham Insurance Institute's Young Achiever of the Year competition.

She was selected for her outstanding performance in her role as account executive.

Natalie, 28, joined Perkins Slade two years ago from Marsh and was entered by her manager, director Stuart Love. He said she has responsibility for some of Perkins Slade's most prestigious clients, such as the Lawn Tennis Association and British Gymnastics.

She comments: "I was not sure what I wanted to do after 'A' levels, so initially, I joined an uninsured loss recovery company. I left there for Marsh where I worked in motor trade and two years ago, joined Perkins Slade because I wanted

to work both in sport and as an account executive. It is fantastic working here, because you're given responsibility and they give me so much contact with clients. I also love the variety one minute I'll be dealing with low-risk ramblers and the next, gymnastics."

She adds there is a great team atmosphere in the company and puts her success down in part to the support of colleagues and the strong development culture at Perkins Slade.

Natalie is passionate about sport herself. She has run the London Marathon on behalf of the NSPCC and the Great Northern Run for a breast cancer charity.

She also organises SportsAid fundraising lunches in Birmingham - the charity which helps young people make it in sport.

For details of BIBA's regional executive contacts, please see the BIBA website, www.biba.org.uk/broker/committeesfinal.html

Don't miss BIBA's Question Time in Brum

West Midlands region is holding a regional conference - the BIBA Debate - on 10 July at Austin Court, Birmingham.

This fully interactive event is set to be the insurance industry's answer to the BBC's Question Time.

It's your opportunity to put any question to our panel of industry movers and shakers including: Grant Ellis, CEO Broker Network; Norrie Erwin, development director for the CII; Steve White, BIBA's head of compliance and training; Tony Cornell, who runs Cornell Consulting; Peter Staddon, BIBA's head of technical services; Mike Lawton, UK regional broker director for Royal & Sun Alliance; Phil Scarrett, director of trading for Norwich Union; François-Xavier Boisseau, Groupama's managing director and Simon McGinn, director of trading, North and Midlands, for Allianz.

There promises to be plenty of lively debate, says debate chairman, Steve Clowes, and delegates will be providing the

questions. "It is up to them anything goes," he comments. Delegates can provide questions for the panel on registration and also during the event. There will be full audience participation interactive equipment allows everyone to vote on key issues."

The Big Debate starts at 08.30 with registration and ends at 12.00, when there is lunch, followed by networking. "This will be the time to network with key people from all sectors of the local insurance industry, including brokers, senior managers and underwriters of major insurance companies; insurance lawyers; loss adjusters, and representatives of trade bodies and regulators," adds Steve. The event qualifies for three hours of CPD points.

Cost is just £50 per delegate, which includes refreshments and a buffet lunch, with concessions available to those bringing two or more people. Contact Steve Clowes on 01952 282626 for information and bookings.

Head north for the action

Yorkshire and Northern Region has a bumper events programme coming up for the

Regional executive Ian Raper says the planning for the region's



Insuring the Broker's Future will take place at the Royal Armouries Museum in Leeds

'We've attracted some heavyweight speakers including Mark Cliff, Andy Homer, Grant Ellis, Chris Hanks, the FSA, Eric Galbraith, Steve White and motivational speaker Andy Hanselman. There will also be an exhibition from BIBA scheme providers.'

Meanwhile, the Annual Dinner on 12 October will feature main speaker Neil 'Razor' Ruddock (pictured left), the football legend.

Following the success of its Lloyd's visit on 28 March, the Region is planning a second trip for 7 November.

Young buyers put price before advice when buying insurance

Why there is no substitute for independent, expert advice...

BIBA's research on younger buyers' insurance buying patterns was featured in a number of national and regional newspapers as well as BBC Three Counties Radio, where head of technical services, Steve Foulsham was interviewed.

The research, which was conducted by Populus, showed that almost half-46 per cent-of those aged 18 to 24 based buying insurance solely on price. This was at odds with the fact that 76 per cent said they felt advice was important when making a decision.

Most older buyers - those aged 25 and over – felt price was just one of a number of aspects which should be considered.

Buying without advice and solely because the insurance is cheap is fraught with danger. At worst, the policy could have unfair exclusions making it difficult to

Mr Foulsham said: "Many

younger people may opt for the convenience of buying online, but they must ensure they are getting the right product for their needs."

He explained there are a number of key factors beyond price such as the level of cover, any excess and instalment options.

He added many brokers offer website facilities, but back these up with free advice via phone and email. "Value is not only dependent on price and there is no substitute for independent and expert advice."



In the news

Making the right choice on the high street

BIBA head of technical services Peter Staddon advised consumers to make sure they're clear on terms and conditions of street. He was speaking following Prudential's private medical cover in Boots.

Value of business continuity

The Kent earthquake highlighted disaster. Technical services manager Graeme Trudgill urged firms to seek advice from a broker on disaster recovery.

Ratings service hits the mark

BIBA has received much trade press coverage since the insurer financial strength ratings service launch. Insurance RatingsView allows members to tell, in real time, has attained, and is provided by Standard & Poor's. More than 100 UK and Irish insurers

in aggregator websites. Recently the likes of Only Insurance, Go

Compare and U Switch have joined a burgeoning market led by Money Supermarket and Confused.com.

The most interesting prospect though could be the highly-touted entry of Tesco into the arena.

Despite reporting massive profits across the group, Tesco Personal Finance saw profits drop to £130m in 2006 (2005: £139m), with the group declaring market conditions in motor insurance remain difficult. In contrast, Confused, part of

Admiral, saw a sharp rise in profits from £8.8m to £23.1m over the same period.

Tesco's insurance partner, Royal Bank of Scotland, has

The last six months have seen a proliferation notoriously decided against joining any aggregator sites, but it appears poor performance of the superstore giant's insurance business and others' success could see that change.

Money Supermarket may have the brand, but the entry of a real supermarket giant into the aggregator space could shake things up.

Or will it? Against the backdrop of direct entrants in the eighties personal lines brokers were expected to become extinct. But many direct brands - The Insurance Service and GA 1 to 1 - no longer exist, while some leading telephone and internet names are indeed brokers and high street brokers such as Swinton and A Plan cope fine.

Aggregators have been declared the latest weapon to wipe out brokers, but history could repeat itself. Insurance heavyweight Norwich Union has declared itself unhappy with the quality of aggregator business and there are signs these sites are simply fighting for the same customers – the serial switchers.

So, if Tesco and RBS think launching an aggregator will solve problems in one swoop, they could be in for an unpleasant surprise.

Jonathan Swift is editor of Post Magazine











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LLOYD'S OF LONDON

The Lloyd's market is facing increasing competition from UK regional centres.

Ana Paula Nacif finds out if its brokers are tempted to look elsewhere, or if they are remaining loyal

Lloyd's has always prided itself as being the largest insurance centre in the world. But times are changing and the market is now facing competition not only from far-flung countries, but also from thriving business centres here in the UK.

However, its brokers are not shying away from competition and insist that whatever rivals may say, Lloyd's continues to be the place to do business.

Even so, it must be recognised that there are challenges to be embraced and issues to be grappled with.

Martin Denny, managing director of Lloyd's operations at The Broker Network, says the main challenge for Lloyd's brokers is the soft market. "Much of the new capital and capacity coming into the market is being used. Anyone can write cheaply for a year or two, but when the claims come in they need to deal with that. Large composite insurers are reducing their cost base to sustain lower premiums, but it can only go on for so long."

And while regional insurance centres in the UK, such as Manchester and Leeds, are thriving, Mr Denny believes they pose no threat to Lloyd's brokers.

Healthy competition

"Only a few syndicates have set up a regional network and I wouldn't expect a big impact," he explains. "That is not to say that they won't be a threat in the future. They are likely to make a bigger impact as they go on."

Richard Wise, managing director at Alec Finch London, says that it is good to have healthy competition from other insurance centres. He adds the main challenge for Lloyd's brokers when it comes to

competing with other UK regional centres, is to woo more clients from the provinces. "We need to get producing brokers to use Lloyd's as a viable alternative to their current underwriter. We need to sell Lloyd's more and prove that Lloyd's offers better service."

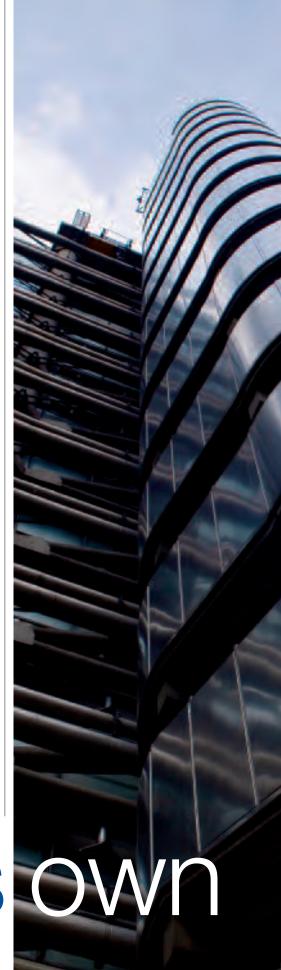
Comfort zone

According to Mr Wise, the three most important things Lloyd's brokers are very good at are adaptability, service and price.

"Lloyd's is still a very innovative and exciting market," he points out. "You can go to any underwriter in the market and talk about individual risks. They are not bound by underwriting manuals and can make their own decisions. Likewise with price; everybody knows more or less what a risk is worth, but Lloyd's underwriters assess risks on their own merits and price them accordingly."

However, he explains that, by using a Lloyd's wholesale broker, some brokers may dilute their brokerage if they do not work on a fee basis. "But it is more about their comfort zone. If you place business with the guy you speak to daily or play golf with at the weekends, you have an easier relationship than with a Lloyd's broker in London, someone you don't deal with socially on a regular basis. That's why we encourage underwriters to come out and meet the producing brokers and client; this goes a long way in selling the Lloyd's image."

Brokers praise the Lloyd's market for its flexibility, not only in writing business which may be difficult to place elsewhere, but also the fact that it is a centre of insurance knowledge and expertise which is difficult to match elsewhere.









"Where else but Lloyd's can you go and see more than 60 underwriters face-to-face in one room and wander around getting the best deal for your client?" asks Mr Wise.

"Also, the Lloyd's market intelligence is second to none."

Chris Harman, deputy chairman, Harman Wicks & Swayne, agrees. "Other UK centres may become regional hubs, but London is primarily an international market and I don't see them creating the depth of expertise we have here."

He adds: "What is great about the market is that, apart from three or four big global brokers, we have a real hub of very agile, high service-oriented middle-range independent brokers."

Leading position

But to get ahead of the game Lloyd's brokers will have to keep at it. David Trezies, executive chairman at United Insurance Brokers, says that although Lloyd's is a marketplace which has a leading position in a number of classes of business, it needs to keep developing new products and ideas, as well as keep pressing on with the efficiency agenda. "Like any other market, Lloyd's will certainly continue to drive for efficiency through best practice."

Mr Denny agrees that innovation is key. "If you don't bring the right product, you can't deal with the soft market," he says. "If Lloyd's did nothing, all business would go,

Like any other market, Lloyd's will certainly continue to drive for efficiency through best practice

apart from the extremely high risks which cannot be placed elsewhere. The way to be is you don't ride the cycle and go through the ups and downs. You put the right products out and make it work."

He concludes: "It is a challenging time for Lloyd's brokers, there is no doubt about it. But, over the past decade, I have heard about the death of the Lloyd's broker a number of times. It never happened; we have to adapt to the big market changes."

Lloyd's - its scale and scope

Lloyd's is the largest insurance centre in the world, followed by New York and Bermuda. The market has 46 managing agents running 66 syndicates which write business coming from more than 200 territories worldwide.

Lloyd's covers the world's most complex and specialist risks, from oil rigs to celebrity body parts, from major airlines to the world's largest banks and sporting events.

There are 162 accredited Lloyd's brokers and Lloyd's has recently simplified its broker registration process to make it easier and more efficient.

New rules just introduced will more than halve the amount of time it takes for a broker to be able to do business at Lloyd's, which previously took up to two months. Each Lloyd's broker is required to demonstrate an understanding of the Lloyd's market as part of the assessment to be accredited as a Lloyd's broker.



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LEGAL EXPENSES INSURANCE





Poaching is endemic in the broking sector and the situation is made even worse by the shortage of quality, experienced candidates.

Rachel Gordon looks for coping strategies



Brokers, insurers and loss adjusters are all at it - poaching staff, that is. There are constant news stories in the trade press about key employees being tempted to jump from one employer to another and the consequences for the business losing staff can be severe. So, what can be done to mitigate the problem?

There has been litigation between Towergate and Insurance Risk Solutions over poaching issues.

Amanda Blanc, chief executive officer of UK Broking at Towergate, says: "In terms of poaching, we know just as there are people who want to come and join us, there will be people who want to go, and that is fine, but if you have a signed contract we expect you to abide by it. If we do lose people, we can recruit externally using either headhunters or a network of contacts, but often we have the strength in depth to move existing staff into new positions."

Meanwhile, last year, shares in reinsurance brokers Benfield fell by some eight per cent after it issued a profit warning after some 20 of its employees were poached by Aon. It too said it would take legal action to protect its business interests.

But many smaller intermediaries do not have the resources to take strong action – and in time, even the most restrictive contracts will time out - or ways around them will be found.

Simon Burgess, managing director of PPI specialist broker British Insurance, comments: "When I worked in the Lloyd's market, I was both poached and did some poaching. While it can be hugely inconvenient, the broker who has employees poached should also be flattered - they obviously recruit and train good people."

And, Lyndon Wood, chairman of broker Moorhouse Group, says: "Brokers will not admit to poaching and it is a fact of business life in general."

He adds brokers need to be philosophical that, particularly if they grow in size, it will happen at some time or other. At Moorhouse, he says the first port of call is to ask if current employees know of anyone suitable to fill a vacancy.

Poaching is a fact of business life in general



POACHING STAFF

Plan for poaching and come out on top

- → Encourage employees to be open as to why they are leaving
- → Be honest if someone is leaving pretending it is not happening will damage morale further
- → Have a fast track for high fliers. If you do not have this, then you must be prepared for them to leave
- → Make sure you are an exemplary employer in terms of training and that includes managers
- → The shortage of good people is pushing up salaries and benefits - if your pay is below market rivals then you will have to address this
- → Look at benefits share options, good company cars and bonuses may all help press loyalty buttons
- → If you are a small firm, make sure you can offer opportunities - for example, you may be a more entrepreneurial business
- → If you are moving up in the world, you may need to look at taking legal advice on having 'non-solicitation' clauses built into contracts
- → If you meet a recruitment consultant whom you rate, you may want to set up a sole agency deal for more favourable rates.

He believes having a first-rate training programme in place is also vital so that there is more likely to be someone in-house who can be promoted. "As well as keeping an eye out for people with the right qualifications or experience, you should also have a programme of developing new people who want to enter the industry. That way, you can nurture them to what your business requires. Experience will, of course, develop and we have found this particularly useful as it helps avoid the race for already experienced staff."

Headhunters

But if someone more senior is poached, say at director level, it may be time to call in the headhunters. Mr Wood says the costs involved are often high - and can be as much as 35 per cent of the starting salary in fees. There are a number of specialist recruitment consultants acting in the insurance market who may help to fill less senior positions, but certainly many smaller intermediaries may be unused to paying for their assistance.

According to Simon McGill, national account manager for IAUK: "The phrase 'fail to plan, plan to fail' is never more apt than when it comes to people. Too many brokers, particularly provincial firms, are slow to react to the recruitment process. Retaining staff is one battle, attracting them

He says calling in a recruitment consultant can result in a far quicker response and a good consultant will have filtered CVs so that they have suitable candidates lined up to fill a specific vacancy.

Mr McGill comments: "Hopefully, the



Retaining staff is one battle, attracting staff is another

days when recruitment consultants are seen as a necessary evil are gone. We have seen an upsurge in preferred supplier relationships in the last two years across all levels of clients." Mr McGill adds brokers should look to use consultants that are from a general insurance background. Sharing market information, looking at trends and devising strategy should be part of what the relationship can be about.

Terri Grainger is a former broker and now executive consultant with Mansion House. She says: "I would recommend that a broker looks carefully at the reason why they lost an employee. If it was because they could not promote them, then they may have to accept that their leaving was unavoidable. We are finding, in particular, that there is a big gap in the number of junior managers, so this could be an area where more brokers should look to create roles so they have people ready to move up."

Mentoring

Mansion House has set up an initiative to find the next generation of rising stars. Its Talenthouse programme has brought senior industry leaders on board to provide mentoring and coaching to approximately 30 young employees working within the insurance industry set to be future senior managers.

NIG managing director Charles Crawford and PBS Holdings chief executive Jonathan Davey have agreed to act as mentors and one-on-one coaches and Ms Blanc is also backing the programme. She adds internal promotion is always good $news: \hbox{``We encourage staff the freedom to}\\$ move around the organisation."

And Mr Burgess concludes: "Too many brokers are reactive when it comes to losing staff. I linked up with a local college in Braintree to recruit trainees. I am also prepared to employ people on a part-time basis – I would sooner have someone mature and committed, even if they can only work a couple of days a week. There needs to be more flexibility. We are no longer in the days of the master and servant relationship poaching happens, but brokers with the right attitude can deal with it effectively."



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Facing the future with confidence

BIBA's compliance initiative allows members to master their regulatory challenges and build a lasting culture, as Vannessa Young explains

Few among BIBA's membership with responsibility for their firm's compliance will be able to forget the unprecedented levels of activity required to get ready for the arrival of statutory regulation of the general insurance sector in January 2005.

Those brokers that took the time to prepare thoroughly should now be reaping the benefits of a robust compliance function that is capable of responding effectively to the challenges facing their firm.

Further regulatory change is inescapable. The FSA fleshed out its plans for the realisation of principles-based regulation in a 24 page publication in April 2007. BIBA members should read the document – entitled *Principles-based* regulation—it explains why the FSA is making the shift, how it can be defined and what the benefits arising from the transition will be.

Many brokers will be familiar with the concept that compliance is always developing. They will already review their compliance arrangements on a regular basis and be challenging them to ensure that their systems and controls remain adequate and effective. They have realised the value of ongoing compliance.

Firms whose compliance may not have progressed beyond the bare minimum required to obtain authorisation from the FSA in 2005 could benefit from review. Why not ask yourself some basic questions: Are you able to demonstrate that you have in place a process for keeping your systems and controls under review? How are you managing any conflicts of interest? Can you prove that you are treating your





customers fairly in all areas of your business? If you answer "no" to any of these questions then you will have a hard time convincing the FSA that you are meeting its requirements and are compliant.

Now think about how your business will operate in a regulatory environment that relies increasingly on principles rather than prescriptive rules detailing how results must be achieved. The emphasis will be on each firm to decide how best to align its business objectives and processes with the FSA's desired regulatory outcomes.

Firms should not let this vital period for reflection pass them by. Help is available if

The BIBA compliance initiative (see box to the right) provides members with access

to a range of compliance facilities at commercially attractive terms.



Our philosophy at RWA is to work with firms to help them embed good compliant practices

Branko Ltd and RWA Compliance Services Ltd provide the facility and are able to offer members health checks on their firms, audits and training programmes. They are also happy to discuss bespoke compliance requirements with members.

Steve White, BIBA's head of compliance and training, comments: "Firms that have embraced the FSA regime are to be congratulated and urged to keep up the good work as there is still much to do. Those intermediaries lagging behind in the compliance stakes should take action now."

Vannessa Young is BIBA's compliance co-ordinator

Further reading is recommended of the FSA's publication on principlesbased regulation, Focusing on the outcomes that matter, which can be viewed online at www.fsa.gov.uk/pubs/ other/principles.pdf

How compliance consultants can help

Branko Ltd and RWA Compliance Services Ltd are partners in BIBA's compliance initiative offering help to members

Can a compliance consultant add value? | regulatory responsibilities and they should "Absolutely," says Branko Bjelobaba (pictured below), founder of Branko Ltd, one of BIBA's compliance initiative

'We work closely with members to help them understand exactly what they need to do with the minimum of fuss and bother. We don't meet too many firms that enjoy reading everything in the Handbook or indeed have the time to our job is to do that and then translate the application of FSA rules into the everyday business environment.

There is much in the *Handbook* that is new to brokers – new in the sense that they have never had to do it before, especially in the area of the complex and detailed senior management arrangements, systems and controls which makes people think about how their business should be run.

Citing a recent health check undertaken by Branko Ltd, the client was surprised how useful it was to define the risks the business faced, plan for contingencies and actually document what they did. They noted: "The FSA, despite how much compliance work there is, is all about running a modern and efficient business - this is good for clients and our staff and to have people pinpoint what we need to do is essential.

Mr Bjelobaba adds: "The FSA has made it clear that small firms can benefit from using compliance consultants". The FSA has stated that: "Firms need to meet their regulatory responsibilities, and respond to any compliance failures that are identified by their consultants. They should always take

appropriate action to be compliant. They cannot contract out their

not assume they are fully compliant."

The journey towards compliance can be a long one and all members will have made good progress. "It is wrong to assume anything, and that is why spending some money to check, with people who know what they are doing, is money well spent. Like RWA, we offer practical tools and a self assessment toolkit called SATCom which has BIBA's backing," Mr Bjelobaba says.

"Any firm thinking that two years in, if we keep our heads down, the FSA won't trouble us, is seriously mistaken," warns lan Ritchie (pictured far left), director of compliance specialists RWA. In recent months, the consultants have seen a surge in both existing clients and new firms suddenly keen to use their services.

One West Country client was due for a visit from the FSA in connection with how they were progressing with the implementation deadline for treating customers fairly, set for the end of March

"We had just started working with them and they did have some work to do. However, by the time the FSA came in, we had helped them beef up their TCF procedures and the visit went well," explains Mr Ritchie.

Typical of many firms, the business had many procedures in place, but was finding difficulty in recognising or defining them as a part of their TCF plan. One of the things missing was a TCF definition, a common failing among firms, according to Mr

"Our philosophy at RWA is to work with firms to help them embed good compliant practices throughout every area of a firm's operations," he comments.

Mr Ritchie also welcomes the FSA's recent publication about what to look for when taking on and using compliance consultants, which can be found on the FSA website.

We work closely with members to help them understand exactly what they need to do with the minimum of fuss and bother





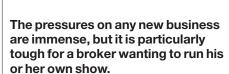


NEW START-UPS

Start-up brokers are thin on the ground and there is concern about future numbers in the industry. So, why are they so few and far between?

Katy Dowell searches

for answers



 $The \, traditional \, small \, high \, street$ business has long been under threat from larger businesses and the consolidators continue to buy up many successful niche

On top of this, regulation places a huge burden on those wanting to go it alone. There is no doubt that the fallout which some predicted as a result of regulation being imposed did not materialise. But it is only now, with the rise of the consolidators in recent years and the dearth of start-ups,

that a clear gap in the sector has emerged.

So are there brokers brave enough to take the risk of establishing a new business and if so what challenges do they face?

Norwich Union's intermediary director, George Berry, concedes that he cannot name any brokers to have entered the market in the last three years. "Outside of Bob Beckett's UKGI operations, I know of no noteworthy brokers that have started recently," he says.

Mr Berry believes the current market is a tough environment for new brokers and lists a range of challenges from regulation to the ongoing soft market. He adds that gaining access to a wide range of markets at







competitive rates is also tough for the smaller firm, let alone a new entrant.

But some entrepreneurial brokers are discovering new ways to get into business. Aggregators are becoming commonplace across all financial markets and experts believe they could revolutionise how consumers buy insurance. Hayley Parsons, managing director of GoCompare, launched an aggregator business after deciding that entering the traditional broking market would be too tough.

She says: "I am a broker at heart. A couple of years ago I decided to set up my own brokerage, but it wasn't the right time. The superbrokers had started approaching and there was and still is a soft market. So I just decided to do it differently."

Ms Parsons helped launch Admiral's Gladiator broking operations before establishing its Confused.com aggregator website. She says she was looking for a new challenge and the option of launching a high street broker appeared closed to her. Although it was a tough decision, she launched GoCompare in November 2006.

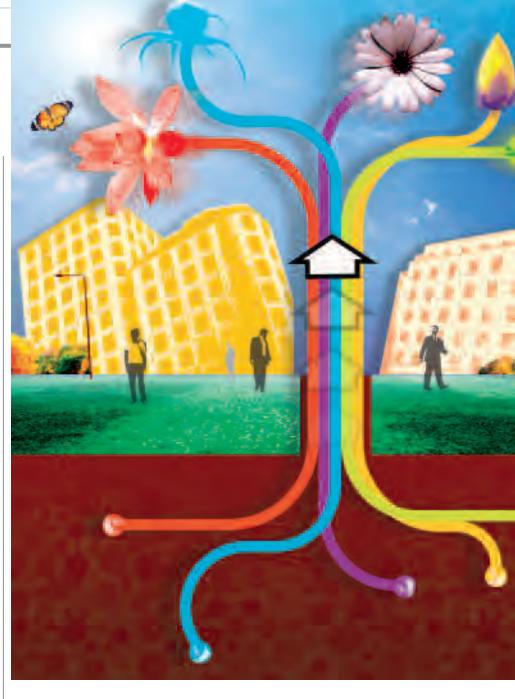
Choices

"The thrill of setting up an aggregator is that it is technologically driven and we don't have the staffing problems which others might experience," she says. "We have 16 staff and will be going up to 20 but we don't need more than that. Our technology is so easy to develop."

The internet-driven world has led many consumers to personal lines aggregators. Compliance consultant Branko Bjelobaba says this has impacted on the emergence of new start-ups. "The way people are buying insurance is changing," he says. "Typically, medium to large businesses will go through a broker but for the small end commercial and personal lines it is sometimes easier to buy for yourself. This means you have to attack on price."

By providing a variety of choices, GoCompare claims that it can show the most favourable terms and conditions alongside price. Compared with commercial business, the commoditised personal lines market appears to be an easier point from which to start an internet-based broker.

Ms Parsons believes it will be some time before websites such as GoCompare and MoneySupermarket enter into the midcommercial sales arena, but she believes it is possible: "It will be interesting to see



what happens in commercial lines. Commercial aggregators will come to the foreground, the technology is available."

BIBA's membership manager, Paul Garland, says it is in the commercial markets that start-ups are most likely to succeed. He says there are only two options open to firms coming into broking - join an existing network, or carve out a niche market with an existing client base.

Networks

"Nobody ever starts up on their own without support," he says. "Joining a network gives great access to market. For the start-ups, just getting agency agreements is very difficult. Agency agreements aren't handed out to just anyone. If you have no experience it just won't happen."

Mr Garland points to Coversure as one organisation which is attracting

entrepreneurs to the broking sector for the first time. The franchisor has been operating for 21 years and has 86 members, 82 of which are new to the market.

And he adds as well as giving agency support, networks such as Broker Network, Cobra, Westinsure and Coversure will give compliance support to brokers seeking FSA authorisation.

Coversure managing director, Mark Coverdale, says: "FSA authorisation can be quite a daunting task for a new agent of ours. We will offer support to those companies." Coversure will also give commissions of up to 20 per cent on business passed to its insurer panel.

Brian Murphy joined Coversure in October 2005 as proprietor of its Sheffield branch. Despite the compliance support, the provision of technology and market access, Mr Murphy admits that the last two years have been tough. "It will be the



independent financial adviser background understands the nature of the business. He is confident the profits will come, but says he would dissuade those with no background in the industry from going down this route.

> Meanwhile, Peter Cross launched commercial broker Cross and Company, after he left a broker which had been consolidated. It has been trading since 19 March 2007 and Mr Cross says he is already making a profit. He says being a member of the Cobra Network helped his business start off more efficiently.

"As far as the FSA authorisation is concerned, we worked independently on our application all over Christmas and New Year. Once we chose to join Cobra Network as our broker network route, they $helped\,us\,to\,smooth\,out\,the\,sharp\,edges.$

Forming my own brokerage has been my way of getting back to the fundamental core of looking after the client

fourth year before we become profitable," he says. "I know that we will get there, we have some good agency agreements, and I am looking at this as a long term investment. The plan is to expand, but we are watching carefully how we do that."

Commercial

When the broker first opened its doors, Mr Murphy says he would accept any business that came his way. Gradually, this is being $reduced\,to\,accept\,more\,commercial\,niche$ business. Eventually, he will decide whether to move out of his high street branch into office buildings.

"We don't expect people to come to us. We have a branch on a busy road and people hardly ever walk through the door. Traditional personal lines brokers are a dying breed."

At the age of 36, Mr Murphy has relative youth on his side and coming from an

Cobra held our hands through registration, from submitting the application form to receiving our authorisation, resulting in the business becoming authorised within a matter of weeks," Mr Cross says. In fact, it took just three weeks for the broker to receive its notification from the regulator.

For many new entrants to the market the FSA is perceived as an obstacle, but in reality this is a myth. "The FSA is not a barrier," Mr Bjelobaba says emphatically. "Normally, FSA authorisation can take several weeks and there is a lot of donkey work involved, but as long as you are competent you will get authorised."

Ms Parsons agrees, saying that FSA authorisation "would never have put me off coming into the marketplace".

But accessing markets is a major challenge - which is a main reason why networks attract members.

Naeem Sheikh launched Insurance Services Direct in December 2006. His career with Equity Red Star had guaranteed limited market access, but Mr Sheikh says brokers have to work hard to be noticed by all the major insurers.

"Insurers are quite hasty in how they assess whether or not to give you an agency. They look at the claims ratio of your geographical area rather than your

individual background. For us Equity and HSBC have been great but others less helpful."

But Mr Sheikh refuses to join a network because he believes that too much of the commission share will have to be handed over and it will impact on his clients. He was also unimpressed Norwich Union lost the agency application it took him six weeks to put together.

However, he refused to become demotivated and comments: "I know the products will come eventually and I know I am completely compliant."

Both Mr Cross and Ms Parsons launched their own businesses after leaving major consolidating companies. Mr Cross says he left his position as a prominent board member at THB Clewes after it was taken over by Towergate. "While larger brokers have great entrepreneurial spirit, I am concerned that they may tend to lose sight of their existing business," he reflects. "Forming my own brokerage has been my way of getting back to the fundamental core of looking after the client."

BIBA's chief executive, Eric Galbraith, believes consolidators will spark a wave of entrepreneurs entering the market. "It will mean some of those brokers will want to get out and start up on their own," he says. "In the 1970s we saw several firms starting up, and I think that will happen again, but it will be a different approach."

Consolidation

But Norwich Union's Mr Berry says insurers are not concerned about the dwindling numbers of brokers. The rate of consolidation, he says, will mean the lion's share of the broking market will end up in the hands of consolidators.

Independent start-ups are an endangered species. Given the challenges facing broking entrepreneurs it is hardly surprising the number of brokers coming into the market has dramatically fallen off. Instead the market is booming for aggregators who are intent on leading the personal lines market and the consolidators which dominate commercial business.

The hope for the future must be that more insurers will show willingness to support new businesses and that as the market hardens, the trickle of new brokers will turn into a small stream, if not a tide.

Guidance on staying on the right side of the law is provided, while Shaune Worrall provides an update on specialist insurance for landlords

Bosses are liable for tired drivers

responsibility for their staff who need to drive for work.

In the case of Michael Eyres v Atkinson Kitchens and Bedrooms it was found employers can be held vicariously responsible for negligent acts of employees while driving at work.

The Court of Appeal accepted a degree of contributory negligence by the employee, but stated the employer had a duty to ensure

A recent case has highlighted the 20-year old van driver was not the Bradford-based firm - he the need for employers to take tired and so liable to fall asleep at the wheel while driving.

> Mr Eyres was a kitchen fitter who sustained severe spinal injuries and was paralysed following the accident. He was flung from a company van when braking suddenly - he was driving on the M1. He had been awake for 19 hours when the accident took place and it was believed he fell into a micro sleep.

Sitting alongside him in the van was Craig Atkinson, the 28-year old managing director of was sleeping.

It was claimed the company had a long hours culture. The judge said: "Mr Atkinson's saying 'eating's cheating' and 'you can sleep when you're dead' summed up the company's philosophy.'

Mr Eyres should receive damages of around £1 million although the final award will be reduced by 33 per cent because he was not wearing a seat belt agreed to be contributory negligence.

The Court of Appeal overturned the earlier trial decision that said Mr Eyres was not entitled to compensation and cited use of his mobile phone as the cause of the accident.

Barrister Gerald McDermott, who represented Mr Eyres, says: "The case illustrates potentially catastrophic effects of the long hours culture. All employees must be given the opportunity to rest between working periods."

John Harley, managing director of fleet specialists Active Risk Management, comments: "This decision should make all company directors sit up and consider their position in relation to occupational road risk health and safety. Under the Health and Safety at Work Act, employers have a duty of care to employees to ensure the vehicle is a safe place of work this covers a myriad of issues ranging from correct licences and policy statements to risk assessments and training.'



Workplace jokes are no laughing matter

Practical jokes at work may provide laughs, but employers could also end up in court.

Consultant Peninsula surveyed some 800 workers across the UK and found many had taken part in a practical joke against a colleague. Two-thirds said they did not think about the repercussions. But, some of these were later seen as bullying. Examples included:

loosening the top of a salt cellar so a colleague's lunch is

- covered in salt spiking a teetotaller's soft drink with alcohol
- sticking a sign on someone's back saying 'kick me' or 'slap
- locking a worker in a stockroom with the

lights switched off

putting spiders on a colleague's desk who was afraid of them.

Meanwhile, another survey by HR magazine Personnel Today of 4,000 workers found most thought it was acceptable to tease people with ginger hair, regional accidents, baldness or eccentric dress sense.

Claire Hendry, an expert in employment law with Anderson Strathern in Edinburgh, says: "Bullying and harassment in the

workplace are not only unacceptable, but can create serious problems in the organisation. In terms of an employer's duties, I would always advise that there should be a zero-tolerance environment. They should have clear policies to ensure that people know what to do."

London secretary Helen Green was awarded £800,000 after she was bullied by co-workers at a large German bank.





Pay FOS fines or face being struck off

A broker has been struck off by the FSA because his firm failed to pay a fine imposed by the Financial Ombudsman Service.

In a Final Notice to Neil Haworth of Blackpool, the regulator said: "The FSA is not satisfied that you are a fit and proper person and that you are conducting your business soundly and prudently and in compliance with proper standards. You have failed to comply with Principle 6 (customers' interests) of the Principles for Businesses, and Threshold Condition 5 (suitability). Specifically, you have failed to comply with an Award made by the Financial Ombudsman Service on 22 September 2003 in favour of a complainant."

The fine – of £10,500 – was for pensions mis-selling and was handed down by the Financial Services and Markets Tribunal. The firm had since stopped selling pensions and was only involved in general insurance.

Meanwhile, lawyers Hugh James is warning that any broker that ignores fines could face the same fate.

Director of insurance, Hugh Price, comments: "The FSA is bound to deal with non-payment of Ombudsman awards as a very serious matter. First, consumer confidence in the FOS complaints scheme would be completely undermined if failure to pay was treated lightly. Second, it gives the wrong message to those businesses that are affected by the decisions of the Ombudsman, namely, 'you can ignore his decision with impunity".

He adds the point of the FOS's complaints procedure is that it provides a quick, low-cost and simple resolution. "In this particular case, the firm involved had withdrawn its licence to sell pensions voluntarily. However, this had no material effect on the FSA's decision as the Ombudsman's decision can only be challenged by judicial review, a complex and potentially expensive process. The message is plain - ignoring the Financial Ombudsman's decisions can seriously jeopardise your livelihood."



LANDLORDS'LATES⁻

New legislation means restrictions on how landlords hold tenants' deposits. They must place deposits with a Government agency. If they hold onto them, they must insure the tenant against monies held back at the end of the tenancy via the Government's provider, **Tenancy Deposit Solutions.**

The Tenants' Deposit Scheme is typical of a complex lettings environment. For brokers, it's important they can offer specialist cover, advice and a claims service to meet the needs of a landlord-tenant relationship.

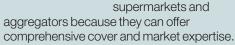
Policies should cover landlords against malicious damage and theft by the tenant as standard. Accidental damage should be an easy bolt-on.

In the event of claims, landlords and brokers should be in no doubt the insurer covers all tenant types; DSS, students and professionals. Tenants may change several times during the period of cover.

Comprehensive policies promote good customer experience and improve brokers' margins, since less time is being spent on adjustments. Unfortunately, brokers face a

> fractured supplier market. Restrictive cover and cherrypicking mean that few insurers can cover everything in one policy.

Brokers can add value to their clients and build new revenue streams by offering rent and legal insurance. No rental income and eviction costs can make or break some landlords. For those with provisions, the damage is to their investment yield. Brokers have the edge here over direct insurers,



Claims can be a concern if the handler isn't an expert in let property. A poorly-managed claim that doesn't satisfy could well lead to a complaint. Brokers need to know the insurer is accountable. Problems may occur when underwriters and claims handlers are too far apart, or when a wholesaler has no part in the claims process.

The market for let property insurance is thriving and the usual 'direct' competition leaves a gap for brokers to offer comprehensive landlord solutions. Shaune Worrall is head of development at Letsure

Find information on comprehensive policies and specialist products in BIBA's dedicated area for let property insurance at www.bibalet.co.uk



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The in-house solution

More brokers are taking advantage of training provided within their own offices.

Rachel Gordon finds out what BIBA can offer

Brokers with a group of employees who need training may find the most convenient and cost-effective way of doing this is to run the course

This saves on travelling time and also means a more bespoke approach can be taken. BIBA's training co-ordinator, Miranda Bell, explains: "There are a number of brokers who use us frequently and it means we can find out exactly what these members want and work with them on their training plans."

From Cornwall to the north of Scotland, BIBA is able to send experienced trainers to the broker's office. If the broker can bring together a small group of staff, they will find the costs are considerably less than if they were paying for them to attend external courses.

Ms Bell comments: "If a broker has, say, six or more employees who require training in a specific subject, then we would only charge them for the cost of the trainer and their expenses and an arrangement fee of £100."

A trainer would typically cost in the region of £600 per day. On the other hand, those attending external courses would typically pay around £150 a head for a BIBA member - but added to this would be travel costs.

So in-house can mean considerable savings. It might also make sense for the broker to link up with another local firm to split the costs.

Among the brokers who use BIBA for in-house training is Higos, which has its head office in Wells, Somerset. Training co-ordinator Clive Wyatt says: "We are serious about training - both for customer service and to make sure we're a first-rate employer. We're close to Bristol which is a major insurance centre and so we must be competitive."

Higos has grown fast, and now has around 160 employees, many of whom have joined as complete novices from college. To date, almost 160 have achieved CII Certificate level and Mr Wyatt says around three are approaching ACII level. "We use BIBA training alongside formal study. BIBA has excellent trainers whose fingers are on the pulse. This complements the theory work for exams."



Trainers on top of their game

BIBA's trainers all have years of experience, both as trainers and within the insurance industry.

Roy Rodger is FCII qualified and worked for Royal & SunAlliance. He says in-house training works because it is often the most practical option - but he urges managers to ensure those attending remain

"It is not helpful if employees keep popping back to their desks - there needs to be some discipline and organisation."

One of the main alternatives to independent training as provided by BIBA is to use insurers that may provide this free of charge. But caution is needed.

As Mr Rodger comments: "By their very nature, insurer courses will be slanted towards their own products and often, insurers' trainers will only have knowledge of their own company's practices. Independent trainers will provide a broader area of training and materials."

Carol Bennett is another BIBA trainer who travels UK-wide to facilitate courses. "I think face-toface is always going to be valuable if the training is good quality and indeed can help improve exam success."

Both agree that brokers should look at incorporating training within their budgets. Ms Bennett says: "Of course, you can pay as you go, but a proper training budget makes sense. It is also the type of thing the FSA would be looking for."

Mr Rodger concludes: "These courses enable young brokers to return to their desks and immediately do a better job. With the current skills and knowledge crisis in the industry, especially among insurers, it is left to the brokers to provide the insuring public with sound, accurate advice."





A fast and professional response

The unexpected can strike at any time – even in the most well run organisation. Prompt and professional support following a fire, flood or natural disaster is proven to be vital in minimising business disruption. Crisis Control membership ensures that you and your clients receive all the support you need from one of the UK's leading disaster recovery companies – ISS Damage Control.

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- Practical advice and expert damage consultation
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FirstCity





brokers' portfolios, setting brokers apart from the opposition. A new top quality crisis control scheme and a comprehensive and easily accessible directors' and officers' policy will show the intermediary is taking on the trusted role of business adviser, in addition to providing insurance.

We also look at the benefits to a broker of the provision of mobile communications technology, allowing brokers to stay in contact with colleagues and clients whatever the situation.

Taking control in a crisis

BIBA and ISS have devised an innovative new scheme known as BIBA Crisis Control, which will bring important benefits to clients affected by a disaster such as flooding, or fire.

This scheme will enable members to offer their clients a value-added service which is free to join both for the members and their clients.

When a BIBA broker client has a disaster they will contact either their broker direct or the BIBA Crisis Control 24/7 hotline number 0800 0855 134 stating that they are a BIBA Crisis Control Member.

Their call to this hotline number, which

365 days a year guarantees a rapid response ensuring that skilled ISS personnel will be with them within four hours of their callanywhere in the UK.

Understanding that mitigation works during the first hours of any incident is vitally important to minimise the damage and any consequential loss. And in times of surge disasters or flash flooding, BIBA members will receive priority response over all others.

When the experts from ISS arrive at the scene, the member has the comfort of knowing that not only will they receive an excellent professional service, but also that they will receive four man hours of



Understanding that mitigation works during the first hours of any incident is vitally important...

- **Cyber-Liability**
- 6 **Directors and Officers**
- **Electronic Marine Cargo**
- 8 **Excess Liability**
- 9 **Haulage and LGV Insurance**
- 10 High Net Worth
- 11 Holiday Travel
- 12 Home Insurance
- 13 Late Night Entertainment (Club PM)
- 14 Let Property (BIBALet)
- 15 Loss Recovery Insurance
- 16 Marine Cargo
- 18 Non Standard Property
- 19 Personal Accident
- 20 Unoccupied Properties

BIBA facilities

- 21 Conflict Management Service
- 22 FSA Financial Compliance
- 23 Insurance RatingsView
- 24 Legal Services
- 25 Personal Lines Administration
- 26 Premium Finance
- 27 Telecoms
- 28 Valuation Services
- 29 Members' Own PI Insurance





SCHEMES FOCUS

mitigation work free of charge.

Furthermore, each time ISS complete works resultant of the BIBA scheme, the member will receive a commission of 2.5 per cent of the invoiced amount for introducing their client.

With many years' experience in the disaster recovery industry, ISS Damage Control has created a one-stop-shop with an extensive portfolio of skilled restoration services including:

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- electrical control and power systems
- mechanical manufacturing and process machinery
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- confined space contamination
- rope access working at height
- document drying and recovery
- dehumidification and mould control
- contamination analysis and testing. ISS employees specialise in the latest decontamination techniques which aids efficient restoration and improved cost savings for brokers' clients.

For more information, contact Tina Dyke or Paul Bradshaw on 01889 570777

The easy route to Directors' and Officers' cover

CNA's reputation as a leading provider of financial lines products was underlined by the launch in February this year of its new Directors' & Officers' Liability Solutions policy. Designed to apply to companies of all sizes, whether publicly traded or privately held, the policy is a response to the potential risks faced by directors arising from the Companies Act 2006. The Act, which sets out in a statutory code the duties owed by directors to their company, can expose a director to unlimited legal liability.

CNA's new wording focuses on protecting the personal assets of directors and officers from claims arising from the performance of their duties. Key benefits are:

- wide-ranging coverage for actual or alleged wrongful acts, errors, omissions, neglect or breach of duty, including wrongful acts in relation to the Companies Act 2006
- fees, costs and expenses incurred by an insured person in bringing proceedings to overturn an extradition order under the Extradition Act 2003
- full limit coverage for legal representation costs at formal investigations
- non-executive directors' extension an



additional limit is available for both indemnifiable/non-indemnifiable loss

- insured versus insured coverage (not in the USA)
- bilateral extended reporting period
- broad automatic coverage for newlyacquired subsidiaries
- broad automatic coverage for a secondary capital raising
- coverage for unpaid national insurance contributions arising from insolvency
- continuing coverage for wrongful acts committed after the appointment of a liquidator, receiver or similar official when a company enters insolvency
- employment practices claims coverage for actions brought against directors, officers or employees.

For a directors' and officers' liability insurance quotation, brokers can log on to CNA's web facility at www.cnadirectors.co.uk or contact an underwriter on 0161 830 1024.

In touch, no matter what

During the terrorist attack in London on 7 July 2005, the BIBA office in the City of $London\,was\,evacuated-however, staff$ managed to stay in touch with clients and colleagues. They used mobile devices to make and receive calls and texts, send and

receive email while calls made to the office, in Bevis Marks, on their 0844 and 0870 numbers were redirected to the SCL call centre in Sheffield. To all intents and purposes, it was business as usual.

Terrorism, although sadly a part of our lives today, is an extreme example, but more common culprits responsible for business disruption are traffic jams, cancelled or delayed trains and buses, floods, fires or

Whatever the reason, there are now simple devices such as smart phones or PDAs that can replicate the work tools used in the office so that contact is not lost and the broker can manage a situation. All these devices have become far easier to use, more cost-effective and now must be viewed as yet another vital business tool as much as the PC, laptop or mobile phone.

BIBA facility provider SCL can advise members on - and supply - all mobile devices and help members make an informed decision based on their particular needs and situation.

Equipping your company doesn't have to be complicated or prohibitively expensive and should be considered as a priority.

For clear advice in plain English contact: SCL (Swinglehurst Communications Limited) on 0844 770 5190 or email at info@scomms.co.uk

Graeme Trudgill is BIBA's technical

...common culprits responsible for business disruption are traffic jams, cancelled or delayed trains and buses, floods, fires or illness

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NSCC





Roger Flaxman looks at how the PI initiative continues to assist with issues that affect brokers and how they can meet FSA requirements

Knowing me, knowing you

One of the benefits of the FSA's principles-based regulation is that there are no hard and fast rules that can become elephant traps for those that take reasonable care, but sometimes miss a point of detail.

The Insurance Conduct of Business (ICOB) rules that regulate demands and needs are sufficiently broad and objective to allow scope for interpretation. Yet they are also clear enough to set boundaries that a reasonable intermediary could be expected both to understand and work within.

Despite this, it is evident from claims experience that some brokers are far from compliant.

The importance of achieving the ICOB demands and needs standards seems to be underestimated by some brokers and they risk damaging the future value of the broking sector. Why else would clients go to a broker if they did not want their skill in helping them get the best

cover? It is not just about getting the best price or a case of "never mind the quality, feel the width, sir".

The duty of a broker is, among other things, to exercise reasonable skill and care in the performance of their service. And this undoubtedly includes a duty to advise the insured of what is and what is not in their best interests when purchasing insurance—unless, of course, the broker makes it clear that they are not giving any advice.

The fact that the FSA has created the

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ICOB rules that sit very closely with the common law duty of care has escaped the attention of too many brokers. So it is now on the agenda of BIBA to bring this powerful combination of legal requirement and regulatory compliance to the notice of members.

"Brokers now tend to believe that they only have to be FSA compliant to be safe," says Mark Roddis, director with Lockton International's professional indemnity division. "This is very far from the truth. They also owe a simultaneous duty of care to their clients, for which they can be sued if they are in breach."

In the recent case of a broker acting for a substantial UK engineering

The duty of a broker is, among other things, to exercise reasonable skill and care in the performance of their service.



PROFESSIONAL INDEMNITY

business, the broker's failure to use reasonable care to appreciate what the business was actually doing led to a successful claim for negligence against it. And, the sum comfortably exceeded their limit of indemnity.

The business suffered a loss caused by machinery that it had exported to South Africa and which failed to meet the buyer's specifications. There was no cover for the claim made against the engineering company and so the broker was sued for the amount of the insured's

It was found that the broker had no demands and needs statement on file which is a breach of ICOB 4.4.7. - there was no other documentary record showing that the broker had taken any trouble to find out anything about the



FSA regulations - covering the risk

The Insurance Conduct of Business Sourcebook makes things quite clear, says compliance consultant Branko Bielobaba.

For example, ICOB 4.3.2 R says: In assessing the customer's demands and needs, the insurance intermediary must:

Seek such information about the customer's circumstances and objectives as might reasonably be expected to be relevant in enabling the insurance intermediary to identify the customer's requirements. This must include any facts that would affect the type of insurance recommended, such as any relevant existing insurance.

Furthermore, under ICOB 4.3.6R: In assessing whether a noninvestment insurance contract is suitable to meet a customer's demands and needs, an insurance intermediary must take into account at least the following matters:

- 1 Whether the level of cover is sufficient for the risks that the customer wishes to insure;
- 2 The cost of the contract, where this is relevant to the customer's demands and needs, and;
- 3 The relevance of any exclusions, excesses, limitations or conditions in the contract. Says Richard Bowdidge, partner with FirstCity: "Some brokers

interpret "cover" (as in 1 above) to mean only the sum insured or limit of indemnity but in fact it means all the aspects of the policy that contribute to a policy that meets the insured's needs."

"The broker must do a 'proper' job," adds Mr Bjelobaba, "which, in the end, will also lead to a compliant job."

In principle, there are four key critical risk factors to every kind of business.

- 1 Who are their clients and what do their clients buy from them?
- 2 What are the components and skills of the company's workforce, both employed and indirectly employed or engaged?
- 3 What is the underlying infrastructure of the company, ie, how is it managed, controlled, systemised and generally bound together as an operating entity?
- 4 How does it earn its money and what is its financial status?

Each of these questions leads to many others. It is not possible to achieve a definitive list, but the broker should use their knowledge of insurance to dig down until they are satisfied they have the information that is needed. This is a fundamental skill of the professional broker. If an authorised insurance intermediary does not have that skill, they should not be giving advice.

What a broker takes as commission or fee is of no material consequence to their duty to comply with ICOBS...

nature of the business beyond the values required for each sum insured.

If a reasonable demands and needs assessment had been undertaken, the broker would have found out that machine parts were being sent to countries in the world beyond South Africa that would be considered politically unstable. This should have alerted them to some special insurance cover required by the insured.

The broker put forward some unsatisfactory defences to the claim, including one remarkable comment that does no credit to the industry whatsoever: "There is a limit to what a broker can do – we don't get paid much now."

"What a broker takes as commission or fee is of no material consequence to their duty to comply with ICOBS and exercise their duty of care in law," says Alan Eyre, director of professional indemnity for Towergate Finch. Roger Flaxman is BIBA's professional indemnity consultant



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TECHNICAL BRIEFING

You would need to have been living on the moon for it not to have registered that treating customers fairly (TCF) has been one of the FSA's most important initiatives of recent years.

Yet the FSA's recent progress report on how well the industry has progressed with its TCF strategy and whether it had met the 31 March 2007 deadline for embedding that work in a substantial part of its business showed patchy results.

The FSA's latest assessment of industry readiness found that the senior management in many firms had shown an improved commitment to TCF and that it was responding to the challenge of a more principles-based approach to regulation. However, the FSA found it discouraging that a sizeable proportion of firms had missed the March deadline, particularly given the high profile nature of the TCF initiative.

Unsurprisingly, larger and mediumsized firms with greater resources had generally made better progress with their TCF work than smaller firms. Smaller firms lagged behind, with 45 per cent of small general insurance intermediaries meeting the deadline, while only a dismal 22 per cent of small mortgage advisers managed to reach the target.

Demonstrate

This sluggish response does not mean that there is a vast swathe of insurance intermediaries in the market who are treating their customers unfairly - after all, they would not have a business if they were. It is more of a case that intermediaries have been unable to demonstrate satisfactorily that they are treating their customers fairly by design, rather than by chance.

Consequently, the FSA has set further deadlines in 2008 which it hopes will give fresh impetus to firms' TCF efforts. All firms will have to demonstrate that they are delivering consistently against the six TCF consumer outcomes by 31 December 2008.

Management information will play a vital role in supporting this process. In

recognition of this, firms have been set an interim deadline of the end of March 2008 by which time they will be expected to have appropriate management information (MI) or measures in place to test whether they are treating their customers fairly.

Information

The regulator has stated that it is unlikely that firms will need to generate substantial amounts of new MI when trying to meet their TCF requirements. BIBA members may already be collecting a wealth of suitable information about their business through their existing compliance reporting or market and customer research exercises. Often it is sifting through the sheer volume of information to determine what is the most useful for demonstrating TCF performance that members have had difficulties with.

The new deadlines are not a signal for BIBA members to relax

BIBA members looking to the FSA to prescribe what MI should look like to support their treating customers fairly work will be disappointed. The responsibility for deciding what MI is appropriate and proportionate for their business falls squarely on the shoulders of senior management. However, this information, once decided upon, should not be considered as being solely for senior management consumption; MI needs to be cascaded to all relevant areas to ensure that the right people within the business can make good use of it.

The FSA has identified MI in the following areas as being particularly

useful to assess and guide improvements in TCF: business strategy; product design and governance; advertising and marketing literature; sales; aftersales $service; complaints \, handling; and \, culture$ and values.

Obviously, some of these areas have more of a bearing on insurers than they do on intermediaries. Intermediaries are likely to find MI around complaints, lapses and claims particularly useful, for example:

- complaints analysis of the root cause and monitoring the quality of the firm's final decisions
- claims monitoring levels of repudiations or customer dissatisfaction
- lapses and cancellations one sign of $customer\,dissatis faction\,is\,customers$ voting with their feet. Firms might analyse combinations of lapse/cancellation activity and complaints and/or claims repudiation information to spot trends
- customer feedback. This can indicate whether any commitments made to customers about aftersales service $are\,being\,met.\,Telephone\,surveys$ after a complaint may also provide useful feedback on how to improve

Brokers selling higher-risk products, such as medical insurance on a moratorium basis, might find it useful to contact customers post sale to see if they understand the exclusion of pre-existing medical conditions. This would help determine whether the sales process is working properly and in the interests of customers.

Tough action

The new deadlines are not a signal for BIBA members to relax. They come with a warning that the FSA will take tough action against firms which continue to trail behind. Sarah Wilson, FSA director with responsibility for TCF, has cautioned that the regulator will intensify its supervisory focus on any firm that has failed to sufficiently engage with TCF and

BIBA members should not view the FSA's recent decision to set firms further deadlines for its treating customers fairly initiative as any weakening of resolve on its part, reports Vannessa Young

ou can tackle TCF

this will extend to enforcement action where necessary.

Help is on hand from the FSA which is set to commit additional resources to help smaller firms embrace the treating customers fairly initiative.

Support

Members can also look to BIBA for support in their TCF endeavours. BIBA's Compliance *Manual*, for example, contains useful information about tackling TCF and what form management information might take, as does its website.

Its online training system, brokerASSESS, can also assist members in helping their employees understand what the FSA is seeking to achieve through the treating customers fairly initiative. BIBA also ran a series of very successful training courses on TCF last year, which it aims to repeat in 2007.

Time is of the essence. Member firms unable to provide good quality MI can expect searching questions from the FSA. That extra scrutiny will inevitably bring with it added costs. If you are able to show robust systems and controls, combined with a senior management that is using reliable MI which demonstrates that they are treating their customers fairly, then you will have a significantly better time of it. Members in that happy position will be able to enjoy what Ms Wilson terms a "regulatory dividend" with a significantly reduced level of testing by the FSA on the TCF culture within their business and where they interact with their customers.



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Howard Pearson, Giles UK sales and marketing director and a specialist in science and technology broking, talks to Rachel Gordon

How did you start in broking?

I took a temporary job for a broker before I was planning to go to university to read ancient history – and ended up staying on. I decided to do this because the boss convinced me that an ACII was of degree equivalent and he would also pay for my exams – I ended up achieving this within two years. It was a small firm based in Holborn, with only six staff, which dealt with commercial insurance – one of my first clients was Pearl and Dean, which provides cinema advertising. I've no regrets about my decision.

When did you first become involved with BIBA?

It would have been around eight years ago. I had been a critic and felt they were not performing as well as they could have been, in particular in areas such as lobbying and on the big issues. It was another board member who told me to stop

criticising from the sidelines and to join -I've gained an enormous amount from it and I would say BIBA is now listened to far more.

Would you recommend broking as a career?

If someone has the skills and experience, then more than ever broking is a fantastic career. There is now a marked shortage of good people – so for those who have the ability, I would say they could reach the senior levels within 10 years – and name their price.



What tips would you give to someone wanting to progress?

Be prepared to work in an industry that is constantly changing. Work hard and take examinations - service also remains a differentiator.

You now work for Giles... is there a big difference compared to working for Miller?

I would not want to say anything negative about Miller and I had a lot of good times there. But it is different working for a London-market business in terms of the processes.

When Giles bought the retail business, most of the team remained and for all of us it has proved an exciting time – the atmosphere is buzzing. We're a different type of operation now, with more flexibility and we can be more client-focused.

What do you enjoy most about your job?

Meeting with clients - I will try and speak to clients every week and often attend meetings with a member of the team – that is what this business is

I also enjoy travelling and this is an extensive part of my work now. I probably was about 40 when I started doing long-haul business trips and so am less jaded about it than some others. I'll try and build in extra days where possible and have just got back from Charleston where I was at a high level hitech networking event which was great.

What's the hardest thing you've had to do in your job to date?

It's when you lose an account when you know you are better than the broker that has won it. It can make you angry, particularly if the account has only been moved for political reasons.

How do you relax away from work?

I run as much as possible. I also work on a voluntary basis for The Prince's Trust. This is an amazing charity which gives young kids the opportunity to start up $businesses-I \, look \, to \, offer \, them \,$ practical support and advice where necessary. Many are from very disadvantaged backgrounds and seeing them learn from experience is incredibly rewarding.

If someone has the skills and experience, then more than ever broking is a fantastic career

Ready and waiting...

BIBA's regulatory and technical teams are on standby to answer your queries



Q: Why has the FSA proposed changes to its training and competence rules and what will this mean for my business?

A: The FSA has to implement the Markets in Financial Instruments Directive (MIFID) by 1 November 2007. This requires that "all staff have the skills, knowledge and expertise necessary for the discharge of responsibilities allocated to them."

The FSA will be replacing the commitments (Chapter 1 of the T&C Sourcebook) with an overarching competence rule in the Systems and Controls Sourcebook (SYSC) that reads as above.

It also plans to replace the existing T&C Sourcebook with a new, shorter and more accessible publication.

The FSA has never previously defined the term "competence" but the new rule refers to skills, knowledge and expertise. It will be for firms to demonstrate that their employees meet this criteria. BIBA has recently introduced the BIBA Business Skills Model to its regional training programme in anticipation of the FSA change in rules.

Home or away?

Q: I have a difficult risk to place and a non-UK insurer is far cheaper than the mainstream UK insurers what should I look out for?

A: There is nothing to stop you asking an offshore insurer to

quote for your client's risk. The only proviso is that the class of business - employers' liability for example - is being quoted appropriately and that the insurer is authorised to write that class both in the UK and in their home state.

If the policy, terms and conditions are acceptable to the client, then the only other areas will be solvency and the claims handling position. Brokers are not the guarantor of the insurance company but we must use skill and judgment in the selection of markets used.

It is ultimately up to the client whom they instruct us to place their risk with. But without providing the client with the full details, how can they adequately choose?

These details should naturally include items like the solvency rating like AA+, B++, etc, but also whether the placement would allow some protection under the FSCS or even FOS. Also, other brokers dealing with that insurer if they have knowledge or experience of the claims process and payments.



Q. I have received a demand for £10,000 from the liquidator of Trident - an insurer that went into liquidation some 14 years earlier.

The claim was for commission refund for a cancelled policy dating back to 1992. The policy had been cancelled after seven months but the broker received commission for the full 12 month period. There are no records and my business has since been bought out, which further complicates the legal liability position. Can you advise?

BIBA passed this question on to Hugh Price, director of insurance for solicitor Hugh James, who replies:

A: I advised the member to call for documentary proof of the debt. To be able to identify, quantify and pursue the sum claimed the liquidator must have had access to Trident's records - and then to challenge the claim on the grounds of limitation. Ordinarily,

claims to recover monies due under contracts are statutebarred after six years.

I have dictated a letter over the phone for the member to send to the liquidator. Solicitors can inadvertently inflame situations and encourage parties to seek legal advice with adverse consequences.

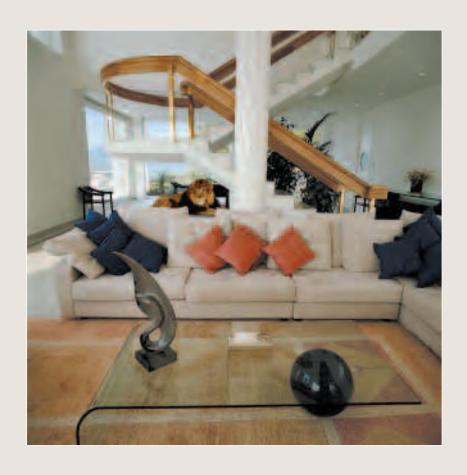
The liquidator immediately conceded that the claim was statute-barred - without any intervention from me - and the member was jubilant.

As an approved facilities provider, Hugh James provides advice at no cost for 15 minutes to all BIBA members - so email your legal queries to the BIBA team who will pass them on.

Email questions to: Regulation questions: whites@biba.org.uk Technical or legal questions: staddonp@biba.org.uk/ foulshams@biba.org.uk/ trudgillg@biba.org.uk Visit the BIBA website for further guidance www.biba.org.uk







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