

the broker



Heading for uncharted waters

**Interview with Lloyd's
CEO Richard Ward**



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WELCOME



I enjoyed catching up with so many members at our recent conference, *Influencing Tomorrow*.

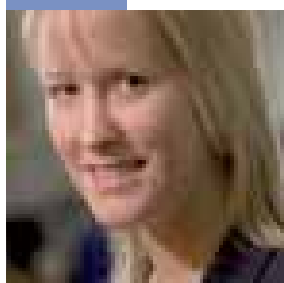
One of the most memorable moments for me was hearing BBC security correspondent Frank Gardner give an inspirational talk about his experiences. He was seriously injured when shot while reporting in Saudi Arabia and his colleague was killed. He is now in a wheelchair but has returned to work, commenting on Middle Eastern stories.

Seeing him on the news recently, clearly one of the most knowledgeable reporters in his field, it reminded me what a privilege it was to hear him speak. I know other members agreed, but please let us have your feedback on the speakers and content if you were in Glasgow.

Once one conference is over, work starts immediately on planning the next, and we are already looking at speakers and topics for next year's in Manchester – and we'd like your input.

Earlier in the year, we organised the Sheikh Abdullah Foundation Young Broker Award. I was aware that the judges had been very impressed by the quality of entries – so it was great to see David Ottewill, managing director of Camberford Law, present the prizes.

Our congratulations go to Kate Reilly of Higos Insurance Services and the two runners-up, Clare Kettle from Commercial Vehicle Direct and Alison Powley from Alan Boswell Insurance Brokers. It's fair to say that broking is a male-dominated industry, but to have three female finalists shows there are some talented women poised to take on senior roles in the future. It's about time!

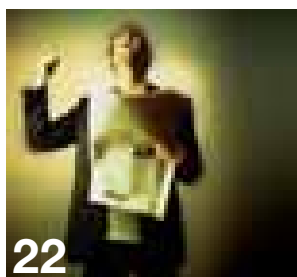


Leighann Burtrand
Editor of *the broker*

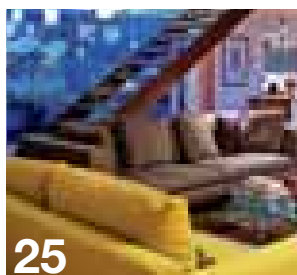
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Glyn Rowett of Rowett Insurance on what makes his business – and him – tick



It's time for a catch up with chief executive **Eric Galbraith** who says his patience is running out with the ongoing discussion into transparency, disclosure and conflicts of interest...

Regulation – making our case

When this issue is published, I hope that most of you will have responded to the FSA's DPo8/02 on transparency, disclosure and conflicts of interest in the commercial insurance market and that BIBA will have had the opportunity to put together a possible market solution.

Our position on these issues is well known to the regulator. We believe that the current combination of high-level principles plus a rule requiring disclosure on request is sufficient. There is no evidence that the current regime affords commercial customers inadequate protection or that these commercial customers want change.

BIBA however recognises the FSA's desire for greater transparency and has committed significant time and resource into providing guidance to members on identifying and managing conflicts, increasing transparency and on disclosure processes. We strongly support building on the current rules to achieve an industry solution.

BIBA has been gauging the support of its members for an industry solution which responds to the concerns raised by the FSA yet respects the spirit of more principle-based regulation.

Our members tell us that they would prefer to develop a market solution in preference to

regulatory intervention – this approach was successful in respect of contract certainty and members believe it can work for these issues.

A solution that provides for greater transparency for the commercial customer in respect of the intermediary's status, the services provided and how those services are paid for, while disclosing the details of the remuneration upon the request of the commercial customer is one which has widespread support. We are still to finalise the details, but are pleased with the level of support we are receiving.

One thing is certain – we need to bring this issue to a conclusion. It has been dragging on to the detriment of all concerned and as I stated in my address to conference this continuing review is something of a bugbear to me. The insurance industry has been engaged in this for nearly two years and it is essential that we get closure on the subject – even if it is for my own sanity. There must be a better and quicker way to deal with regulatory issues.

Manchester 2009 – it's in the diary

No sooner was I back in the office after our Influencing Tomorrow conference, than I was in a meeting to start planning next year's event.

So, the important dates are 13-15 May 2009 – it seems a long way off, but before we know it,

we'll all be heading off to Manchester's G-Mex centre.

It was fantastic to see so many of you in Glasgow. After the success in London the previous year, we had a tough act to follow.

But Influencing Tomorrow had its own unique flavour – our aim was to adopt a more high-level theme through the event, covering global topics and focusing on areas like terrorism and global warming alongside technical business topics.

The feedback has been excellent – from the start, the exhibition was buzzing and the gala dinner truly memorable.

It is always difficult – for smaller firms in particular – to take time away from the office. But it is so worthwhile to speak to others in broking and the wider insurance sector and come away feeling motivated by examples of best practice, new ideas and contacts – please make a note of the dates now.



 **Email Eric Galbraith at**
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In my opinion...

Two experts ponder whether insurers should buy brokers...

Phil Bunker, managing director of ABC Insurance, the broker-focused business from Liverpool Victoria, says **no**



Stuart Reid, chief executive officer of Venture Preference, the AXA-owned broker subsidiary, says **yes**



I think I must have now crossed the line into being 'old' because as I look at the current vogue for insurers buying brokers I know it's not the first time I've seen such a trend.

When I joined NIG in 1990 the hot news story at that time was Sun Alliance's purchase of Swinton. Norwich Union's aggressive building of the Hill House Hammond network followed shortly after. NIG joined the party in the mid-1990s with the acquisition of GF Bennett.

It is not hard to put up a good economic case for broker purchases built around control of distribution and the value of 'customer ownership', yet there are very few enduring and successful examples of these combinations. I can think of only two; Equity Red Star and Boncaster, and Fortis and RIAS. I admire them for pulling it off – it is difficult.

But why is this? When a broker has been purchased, the existing team often leaves or has become so rich that it is difficult to control. The entrepreneurial skill-set required to run the broker will not be easy to replace.

The corporate cultures of brokers and insurers are different. Brokers work on fine margins. They need cheap systems, efficient processes, and a minimum of bureaucracy. Insurers are not like that. But try as you might to keep at bay the flood of people 'here to help from head office' the broker's cost base will worsen.

There is a frisson between broker and insurer when they do a deal that is absent when both organisations have the same owner. It doesn't feel comfortable.

And yet although you might not be doing deals together, the rest of the market will assume that you are. The broker's other markets begin to dry up. Insurers can also suffer as their broker base starts to eye them as competitors, rather than partners.

There is always the suspicion that the game plan is to move the business to the acquiring insurer as soon as possible. Where there are good books of 'sticky' business then the economics of an insurer building a book in this way can be compelling.

Insurers accept this as a risk of doing business with brokers, but for the customers acquired it will be important to make the proper disclosure before they are moved to the new insurer-owner.

Much care will be required to ensure that customers are being treated fairly. Customers should not be led to believe that a broking function has been performed when in fact it has not. No doubt insurers that own brokers are aware of this issue, and with the FSA's ongoing interest in this area, they can only become more acutely aware of the necessity to 'handle with care'.

At ABC Insurance, we are quite comfortable dealing with well-managed insurer-owned brokers. We know they'd much rather deal with us than with the 'man from head-office'.

A number of insurers – and obviously, AXA is among them – have bought some fabulous brokers recently.

And as time goes on, I don't see either party regretting it for a minute.

In my role as head of Venture Preference, I am convinced those new brokers who join us are making the right decision.

We live in uncertain times. We all know that the FSA is closely observing conflicts of interest and commission disclosure issues. This could impact on brokers' profitability – and make them less attractive acquisition prospects – and the ongoing regulatory scrutiny poses challenges as we go about our business.

Then there is the impact of the credit crunch and a much slower economy.

Brokers' values are not guaranteed and success rarely happens overnight. This is why I would choose being purchased by a committed insurer over a venture capitalist or private equity firm anytime.

I know that AXA – and I am sure other acquiring insurers would agree – is in this market for the long-term.

They understand what could happen and are looking for sustained performance rather than high returns and quick profits. They are able to offer intermediaries greater stability in most cases.

I fully understand why brokers are proud of their independence.

But, what if you want to move to the next level? Does a broker want the pressure of borrowing money – which is far from easy now anyway? It seems many good independents instead prefer to accept their lot and tread water.

Being acquired by a major insurer is about real investment in the business and in Venture Preference's case, access to a range of experts – who genuinely understand broking – to develop the company.

However, I am also well aware of the critics who say insurers should back off.

There have been cases where insurers have publicly said they expect to receive a certain percentage of their acquired broker's business.

Stating a required figure of, say, 30 per cent makes me uncomfortable. This is a conflicts of interest issue and the FSA is likely to be watching closely – and indeed could come down on the broker like a ton of bricks.

It is crucial to be transparent in showing where your business is going and why. We take an even-handed approach. The share of business AXA will receive from our businesses is not agreed in advance – and we are very mindful of our responsibilities.

You are evidenced by your actions – and I think insurers that have purchased brokers know exactly what they are doing and that the brokers will reap the benefits.

Watch this space!

Influencing Tomorrow – an overwhelming success

Influencing Tomorrow was the most popular BIBA conference ever organised outside the capital – a total of 2,424 delegates attended and some 1,049 of these were brokers.

Delegate satisfaction was exceptionally high, according to the post-conference survey.

Chief executive Eric Galbraith delivered a hard-hitting opening address, speaking out strongly against current FSA consultation which could result in mandatory commission disclosure.

He said: "The introduction of any new rules would smack of the nanny state gone mad and wrongly assumes that buyers lack the necessary understanding and acumen to make commercial decisions about what is best for their business when purchasing insurance. That assumption is wrong – patronising and nonsense."

Eric said while there were some brokers in favour of making disclosure compulsory, the majority of firms saw no need to change the status quo. "From my discussions, I get the sense that the market itself is keen to resolve the issue of transparency and disclosure once and for all. As a market we successfully made contract certainty business as usual, and I believe we can do the same with disclosure. I wanted to make it clear that we are not going to go away on this issue. The FSA needs to realise that over regulation will be massively damaging."

He added: "Glasgow scored extremely well on a number of fronts. Our strategy was to move the content up a level. So many members are focused on day to day business within their firms that we wanted to give delegates the opportunity to hear speakers with a global perspective."



Africa hero: Sir Bob Geldof

Eric adds delegates particularly welcomed the new panel debate – previously this has been based around UK insurance industry experts. This year, the panel members were Dr Noreena Hertz of Cambridge University, an advocate of ethical globalism, Stephane Garelli from the University of Lausanne who is a leading authority on competitiveness and James Rubin, a professor of international relations at LSE who worked on Hillary Clinton's recent bid for the US presidency.

Eric says: "From climate change, to food prices to politics, we are all being increasingly impacted by global issues, both in our working and personal lives. Our influence as insurance professionals does matter and we should all ensure our focus is not too narrow. Many of the members I speak to have strong views on the economy and how it should be managed, as well as the huge influence international



Frontline: The BBC's Frank Gardner

factors can have on our industry in terms of pricing and new risks which we have to advise on. Our conference needs to reflect this, along with purely UK-based topics and technical seminars. I am confident we achieved this – although, as ever, we welcome feedback from members."

A further highlight was a presentation from humanitarian campaigner Sir Bob Geldof who delivered an impassioned speech in which he called on the insurance industry to do more to bring Africa out of poverty.

Eric concludes: "The next conference in Manchester is now being planned. I would urge those brokers who could not make Glasgow this year to look now at ways they can ensure their businesses are manned so that they are able to take two days away from the office. I guarantee they will leave buzzing with new ideas and inspiration."



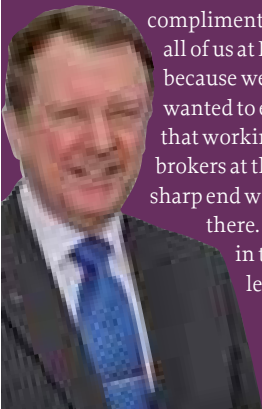
Glasgow 2008 – chairman's view

This was the first BIBA conference – in his capacity as chairman – for Derek Thornton.

Derek, who is known for his straight talking style, impressed members by giving a forthright speech, focusing on the importance of engaging with – and where necessary standing up to – European regulators.

"I think this was one of the best – if not the best – conferences ever. I had so many brokers come up to me and say that they were doing business at this conference.

It was a tremendous compliment for all of us at BIBA, because we wanted to ensure that working brokers at the sharp end were there. This in turn led to



insurers sending underwriters rather than simply senior management. Because it was such a success, I believe we will now be able to make this happen for every conference. It is not just about the chief executive, whether they are from an insurer or a broker – it is for those who are working every day in the industry."

Derek adds that the sessions, whether presentations or workshops, also hit the right note. "I know myself that at work it is often impossible to think about anything other than the job in hand. But, we all need to take some time out to be exposed to new ideas and hear people who have another perspective. In some way, all our content could be linked back to brokers, whether in a technical capacity or as business people – what we all need is the opportunity to listen, share experiences and find ways to develop. This conference is one of those rare opportunities to achieve just that."

Latest issue of BIBA's Compliance Rules launched

BIBA's new publication, Compliance Rules, is the painless way to brush up on vital regulatory matters in a palatable format.

The latest issue of the briefing note, which was written by BIBA's head of compliance and training Steve White and compliance co-ordinator Vanessa Young, is available in the broker section of the website.

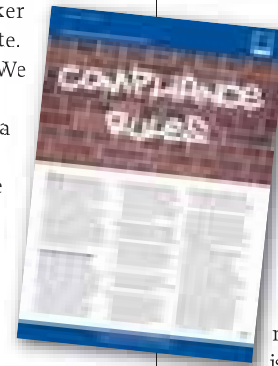
Vanessa says: "We will be producing Compliance Rules on a quarterly basis. Our aim is to provide the essentials, written in clear English and which ensures members keep up-to-date with the latest issues. I am fully aware that brokers have limited time to read up on regulation – and certainly trying to find information on the FSA website can be daunting."

Branko Bjelobaba, one of

BIBA's partners in its compliance initiative, writes in this issue on the FSA's final published Insurance Conduct of Business rules (ICOBS). He explains how ICOBS should be viewed as 'minimum standards' within a firm and how compliance with these can be ascertained.

Compliance Rules is packed with bite-sized updates on the FSA's current thinking and allows members to know when the regulator has made final decisions on key topics. This issue also contains an overview of how the European regulatory framework operates.

Vanessa adds: "I am now preparing the next issue and would ask any broker with a regulatory query or who would like to see an issue covered in Compliance Rules to get in touch." She can be contacted on 020 7397 0233 or at youngv@biba.org.uk



Multi-talented Kate is a winner

Kate Reilly, a branch manager with Higos Insurance Services, has won the Sheikh Abdullah Foundation Young Broker of the Year Award.

Kate, aged 27, wowed the judges because of the depth of her experience as well as her hugely positive attitude to work – which rubs off on everyone who works with her.

Higos managing director Ian Gosden entered Kate for the award and he had become well aware of her potential and abilities after she joined the firm as a trainee aged 19.

She admits she knew "nothing at all about insurance, other than people needed motor cover."

Now Kate is studying for her ACII. Her role encompasses running two branches and she

also assists with supporting Higos's award-winning training programme – the company has one of the highest levels of qualified staff in the broking market, with more than 75 per cent of the workforce having achieved, or working towards, a nationally-recognised insurance qualification.

Higos has also made a number of acquisitions in recent years and Kate has also provided input into this process and helped to integrate the new businesses. "The feedback I had was that the judges liked the fact that my role is so varied and that the entry was able to demonstrate team skills."

The joint runners-up in the awards were Clare Kettle from Commercial Vehicle Direct and Alison Powley from Alan Boswell



All smiles: Kate receives her certificate from Camberford Law's David Ottewill (left) and is congratulated by BIBA chairman Derek Thornton

Insurance Brokers.

Kate comments: "It was unusual to have three female finalists, but also very positive. I would encourage more women to consider insurance careers. As far as broking is concerned, I think that not enough women are considering it. In broking, you often need some sales, as well as technical ability. But I hope more will discover the sector – there are some real opportunities."

She won a first prize of £1,500,

which will be used to purchase her first home, while Clare and Alison were awarded £500. "I'm putting the money towards a house I'm hoping to buy in Pilton, Somerset," says Kate.

The judges for the awards were BIBA's membership manager Paul Garland, Steve Dutton, business development manager for the CII, BIBA regional executive Barry Blakley and Ian Dickinson, commercial executive with Brunson Group.

PRESS BRIEFING

Alert brokers will have noticed that insurers are getting hot under the collar over the cost of credit hire – believing rates are too high and loan periods are too long.

An agreement on rates between credit hire operators and insurers signed in 2006 has fallen by the wayside, and a pricing agreement agreed recently looks like providing only a sticking plaster over a gaping wound.

The insurers – who have no-one to blame but themselves for the creation of the market in the first place – believe brokers are stoking the flames.

While they understand the attraction – who would refuse the offer of a gold-plated service

complete with a like-for-like replacement for their non-fault clients? – they also point to the commission brokers earn for doing relatively little.

Insurance company claims managers cite, anecdotally, the average commission to brokers for each credit hire referral can be as much as £200-£250. However, this is disputed by brokers who insist it is much less. Of course, this guesstimate also ignores the referral fees paid by lawyers to brokers for injury claims... they can also be significant.

So is credit hire a real problem that is mushrooming out of control? According to actuary EMB, yes. It says that in 2002 only seven per cent of innocent motorists involved in an accident took advantage of such accident management services.

By 2006, it had risen to 20 per cent. This pushed up the aggregate cost of this type of claim alone in 2006 by 12 per cent – adding 1.5 per cent to average loss ratios. And of course, 80 per cent of the population entitled to use accident management companies still don't.

Insurers are trying to fight back by providing the necessary services to innocent third parties – but this is piecemeal and often too late.

So business as usual looks set to continue.

None of this is, of course, the brokers' fault or problem. But the issue illustrates the tension and balance that exists between insurers looking to increase revenue and courting brokers with corporate freebies – and their claims departments which are keen to reduce spending.

Now that could be something to get hot under the collar about.



Ant Gould

 Ant Gould is group editor in chief, Incisive Media Insurance Division

Aggregator campaign achieves right result

BIBA's campaign to highlight consumer dangers from buying from some aggregator websites has resulted in the FSA taking action.

Technical and corporate affairs executive Graeme Trudgill says: "We put strong messages out on our concerns regarding these websites. We backed these up with research which showed that many consumers were confused by the quotes – particularly the levels of excess. There were also problems with many assumptions made by aggregator sites. BIBA pointed out that there was need for a regulatory review of comparison sites. This was heavily reported by the media and the FSA sat up and took notice."

Ed Harley, the FSA's head of financial promotions, says: "We are keen the market develops in a way that ensures customers

are treated fairly and expect comparison sites to provide information that is clear, fair and not misleading. We recognise that many customers use these websites to search for insurance products. Consumers should shop around for the best deal, but it is important that they compare what is covered by a policy, and not just focus on the price."

Graeme adds: "BIBA welcomes comparison technology and believes that by working closely with such sites it can help to improve service to members who use these websites and indeed were delighted to welcome gocompare.com as an associate member. But, we want the FSA to go further and force aggregators to guarantee their quotations. We will, of course, continue to emphasise that the best advice comes from a BIBA broker."



The trade exhibition at the conference proved to be a strong draw

Record coverage for Glasgow conference

BIBA's recent conference, Influencing Tomorrow, attracted record levels of media attention.

The trade press was well represented, with Incisive Media producing the daily BIBA bulletin while the conference took place. Meanwhile, *Insurance Times* launched a special new supplement – *BIBAtimes* – to showcase the event.

However, the national press also picked up the key

issues discussed at Influencing Tomorrow – and covered a number of speakers, who included Sir Bob Geldof and Frank Gardner. Articles appeared in *The Scotsman*, the *Herald* and *Forbes*.

A large press room was used for numerous interviews and could be accessed by delegates wanting to meet journalists who included representatives from the BBC. Various PR firms who attended the event also made use of the facilities.



The shape of things to come.

Our name change from St. Paul Travelers to Travelers has undoubtedly invigorated our business, the power and recognition of the Travelers brand and iconic red umbrella logo reinforcing our commitment to the UK insurance industry. We have ambitiously broadened our product range to encompass both specialist and more general commercial risks and invested in new people, new regional offices and new technology. The shape of things to come is a red umbrella and it's open for business. If you are too, we'd like to hear from you.

Heading for uncharted waters

Lloyd's chief executive Richard Ward is overseeing change which could result in the market potentially opening up to many more brokers.

Jon Guy reports



The Lloyd's market is on course for change and that change will see a fundamental shake-up in the ability for intermediaries to access the markets.

Lloyd's chief executive Richard Ward says the proposed changes are designed to ensure that Lloyd's retains its competitive edge. As part of that drive, any perceived barriers to smooth and efficient distribution must be removed.

For much of its 300-year history, Lloyd's was the domain of a select number of brokers. If you were not a Lloyd's broker you could not access the market and its capacity directly.

Instead, you had to use a Lloyd's broker who would place the business on behalf of your client.

All that changed in 2005 with the arrival of regulation in the UK general insurance intermediary market. Those regulated were able to access the market directly on a limited basis. They could deal with a single syndicate which would be able to underwrite their risk in full. However, the subscription market was still out of bounds to all but the Lloyd's broker.

Legislative changes

But that looks set to change with Lloyd's management working with the UK Treasury to put forward a series of amendments to the Lloyd's Act 1982 which Mr Ward says that this will enable

the market to be run more efficiently.

The key proposal for the broker is: to remove the restriction that requires managing agents generally to accept business only from a Lloyd's broker, while retaining the class of "Lloyd's broker" for brokers that want to bear the title of "Lloyd's broker"; and remove the divestment provisions (which prohibit

institutions still incorporated and governed under its own Acts of Parliament, most recently the 1982 Act," he explains. "Much has changed in the business and regulatory world over the last 26 years, but the Act has not been amended since it was introduced. The role of the FSA in regulating both managing agents and brokers is a particularly significant



We are subject to the same competitive pressures as the rest of the global insurance industry and must have the flexibility to adapt in the future

prescribed associations between Lloyd's brokers and managing agents), in favour of a new mechanism, consistent with the FSA's regulatory requirements, which will allow the Society to monitor potential conflicts of interest between managing agents and associated brokers, and provide transparency on such associations to members.

Mr Ward says the rationale behind the proposed changes is simply to reflect the new business reality.

"Lloyd's is one of the few City

change. The inclusion of a provision in the 1982 Act requiring Lloyd's managing agents to accept business only from Lloyd's brokers reflected the insurance and regulatory environment at that time."

He adds, however, that the environment has changed significantly since then, both commercially and from a regulatory standpoint, and will continue to do so in future. "On any basis it is no longer appropriate for Parliament to determine the distribution arrangements at Lloyd's. We are subject to the same competitive



pressures as the rest of the global insurance industry and must have the flexibility to adapt in the future to ensure our continued success. It makes sense that the rules that shape the way we work reflect our working and corporate governance environment.”

He explains the changes proposed by the Treasury seek to do just this. “They update some of Lloyd’s governance structures and support Lloyd’s continuing work to modernise all aspects of the Society and market. They will also enable Lloyd’s to compete on an equal footing with our competitors.”

Greater access for brokers is all part of a long-term strategy for the market and Mr Ward believes it would not see an immediate sea change in the way Lloyd’s distributes business.

He says: “Introducing more flexibility into our distribution chain will not, in the short- to medium-term, change the way in which business is brought to the market or increase the volume of business flowing into it – given market conditions, we would not want it to. But we are subject to the same competitive pressures as the rest of the global insurance industry and must have the flexibility to adapt in the future to ensure our continued success.”

The global nature of the industry and the need for the underwriters to get closer geographically to their clients has seen Lloyd’s open operations in Singapore, Shanghai and obtain a reinsurance licence to operate in Brazil in recent years. At the announcement of the market’s record

profits earlier this year, Mr Ward said Eastern Europe and Portugal were also on the radar as areas where Lloyd’s wanted to establish a greater presence.

However, he says that while the market’s new geographic strategy is important, it was not the imperative behind the moves to reduce barriers to broker entry.

“Not directly, but we need to recognise that a significant proportion of our members now have choices about where to conduct their insurance business and it has never been more important to the Lloyd’s platform to be able to compete with other insurance centres around the world,” Mr Ward says. “It would therefore be dangerous for us to assume that business will continue to flow into London because it always has. This is something that brokers have already recognised and we must give ourselves the best possible opportunity to adapt to the dynamic global market in which we operate.”

Mr Ward does believe that the new rules will also sit well for the market’s efforts to drive process reform.

He explains: “Yes, in the sense that as we have laid out in our three-year plan, we are working to improve the accessibility and efficiency of the market, in particular around the business processes that make the London market difficult and expensive to deal with. We need to take every opportunity we can to make the Lloyd’s market more accessible, transparent and agile to adapt to the future. In that respect,

the proposal from the Government to reform this provision fits with that objective of improving accessibility to the Lloyd’s market.”

Consultation

But it will certainly not be a green light for all. The recommendations under consultation clearly give the market the right to police the standards of brokers using the market and Mr Ward says there will be steps in place to ensure that the Lloyd’s brand is not damaged by the actions of those seeking to access it.

“Only the market can really say what it wants from intermediaries,” he adds. “Our intention is to recommend to the Council that Lloyd’s should set requirements on our managing agents that they have to apply the same prudential standards required of Lloyd’s brokers to all non-Lloyd’s brokers placing business directly into the market. These standards were revised in 2007, following consultation, and introduced with the support of both managing agents and the LMBC.”

Brokers will still have the opportunity to retain or qualify to call themselves Lloyd’s brokers, but it will not carry specific privileges.

“Brokers will still need to pass an accreditation process to be designated as a Lloyd’s broker and Lloyd’s brokers will still have the benefits of being able to call themselves a ‘Lloyd’s broker’, a title which carries a kitemark of quality,” concludes Mr Ward.

Proposed amendments to the Lloyd’s Act

- Relax the rule requiring the chairman and deputy chairman to be working members, so that these posts may be filled by any member of the Council, provided that always one of the chairman and deputy chairman is a working member.
- Remove restrictions on elections to the Council affecting working members, to permit more flexibility and greater alignment with the Combined Code.
- Remove the requirement for the Governor of the Bank of England to approve appointments of nominated members of Council, as this duplicates the FSA’s approval process.
- Remove the provisions relating to the Committee of Lloyd’s.
- Modernise and streamline the Council’s delegation powers, while preserving the Council’s existing reserved powers.
- Ease restrictions on the composition of Disciplinary Committees.
- Remove the restriction that requires managing agents generally to accept business only from a Lloyd’s broker, while retaining the class of “Lloyd’s broker” for brokers who want to bear the title of “Lloyd’s broker”; and remove the divestment provisions (which prohibit prescribed associations between Lloyd’s brokers and managing agents), in favour of a new mechanism, consistent with the FSA’s regulatory requirements, which will allow the Society to monitor potential conflicts of interest between managing agents and associated brokers and provide transparency on such associations to members.

Meet Richard Ward

Richard Ward joined Lloyd’s as chief executive officer in April 2006.

Previously, he worked for more than 10 years at the London-based International Petroleum Exchange (IPE), re-branded ICE Futures, as both chief executive officer and vice-chairman.

Prior to the IPE, he held a range of senior positions at British Petroleum (BP) and was head of marketing and business development for energy derivatives worldwide at Tradition Financial Services.

Between 1982 and 1988, Mr Ward worked as a senior physicist with the Science and Engineering Research Council, leading a number of research and development projects.

He has a First Class Honours degree in Chemistry, and a PhD in Physical Chemistry, from Exeter University. He is married with two children and lives in London.

Self insurance works for SMEs

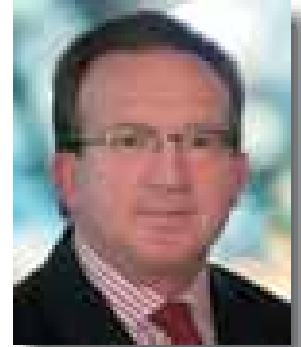
Utilising **rent-a-captives** can deliver considerable savings over conventional insurance programmes as well as having many other benefits for small and medium sized companies.

By Peter Niven, Chief Executive of Guernsey Finance

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

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

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



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

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

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

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

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

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

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

Interested in hearing more?

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

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

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Schemes supremos

Consolidation means independents are becoming scarcer. But a number are thriving and have one thing in common – they excel in their particular markets, as **Rachel Gordon** reports

Take three brokers. Outwardly they have little in common, being in different locations, operating in different markets and of different sizes. Yet there are clear similarities.

These brokers are all growing, are highly regarded and no doubt have been targeted by the consolidators. But they remain resolutely independent. The secret of their success is the ability to launch, develop, and run niche schemes.

These can be retail or wholesale and especially in the case of the latter, access to top quality schemes and facilities is a key benefit of BIBA membership. BIBA technical services manager Steve Foulsham spends a good part of his working day dealing with providers. His role includes ensuring schemes are leaders in their markets, looking to include enhancements, as well as assessing new ones.

“Certainly, for a number of smaller brokers having access to a full suite of schemes is a reason for joining us,” he comments. “It is all about being able to say ‘yes’ to a client – but if a broker, say, was asked to place a nightclub risk or medical malpractice for an alternative health clinic, many would struggle if they had to find an insurer. We provide the solution.”

On paper, it may look as if a scheme is relatively simple to get off the ground. Find a niche area, speak to an insurer and develop a wording and then market it to a

targeted audience – whether consumers, brokers or both.

Except in reality, it is incredibly difficult to find sectors where there is scope to develop either a new scheme or improve on an existing one. Then there is the increasingly tough job of finding an insurer to back it – given that the focus is now even more on working with the bigger brokers.

Manchester-based Caunce O’Hara offers a range of specialist schemes and

recently launched a PI scheme for forensic practitioners. “There are as many as 4,000 of these in the UK and many are involved in areas of expert witness work. We had meetings with the trade body and found out what they wanted and then worked with the insurer to provide the scheme.”

IT contractors told Caunce O’Hara they wanted to be able to buy and renew online with minimum hassle. “If you work closely with certain sectors and are able to provide remote service but personal guidance if



It is incredibly difficult to find sectors where there is scope to develop either a new scheme or improve on an existing one

these are largely available online to clients. It specialises in professional negligence and its products include management consultants, freelance IT contractors and recruitment agency consultants.

Schemes manager Donna Beanland comments: “We have sought to constantly expand the range, but only in areas where we have real expertise. We are constantly researching our markets.”

She explains Caunce O’Hara has

necessary, clients stay with you. We don’t advertise and so much of our business now comes through recommendation, combined with good use of search engine optimisation.”

Caunce O’Hara has historically used Lloyd’s as carrier, but recently has started placing more with RSA. Donna says the relationship with the insurer is critical to a scheme’s success.

“We now know the people there

really well – in fact we even have the odd social evening together. Recently, they had IT problems and we needed some information, so they brought it over to us in our offices. Someone from RSA is always available for us at the end of the phone.”

In practice, schemes brokers and insurers work incredibly closely – often brokers will have some delegated authority, issue all documentation and provide some claims handling services. This requires trust from the insurer and the broker needs good systems in-house.

Malcolm Smith, Groupama’s commercial insurance manager, says schemes business is vital to his company and he has a team of 10 purely dedicated to this area. One of the key brokers Groupama has a long-standing relationship with is Camberford Law.

Professional

Groupama itself has been acquiring a number of brokers recently, but Malcolm insists there is still a place for the smaller schemes professional.

“You need good systems in place and to know the market you are targeting inside out. One smaller firm we provide cover for already had a good hairdressers’ scheme and then also realised there was expansion going on in the beauty market for laser treatments and botox. We were able to provide cover in these markets too.”

Camberford Law is one of the biggest and best known schemes brokers in the UK. It provides cover wholesale and direct to clients and is active in numerous specialist fields. These include the security and alarm industry, cleaning contractors and heating and ventilation installers. Managing director David Ottewill

comments: “We are selling like all other brokers on price, product and service, but if you really want to do well in schemes you need to know the sectors. We will often act as advocate to achieve a better deal on behalf of a client who has had a claim if we feel it is justified.”

Along with Camberford Law, Tasker & Partners is also a BIBA schemes provider with its ClubPM product. Managing director Paul Tasker agrees that the web has had a dramatic impact on the market: “The internet is the single largest benefit to scheme distribution. Scheme providers who cannot deliver online products to policyholders, brokers and aggregators will be seriously disadvantaged,” he comments.

Creativity

Currently, Tasker Partners operates in the fields of children’s care, nightclubs and amateur sports (accident and liability) but he says there are further launches in the pipeline. “Creativity is a natural extension of our enthusiasm. If there is a scheme opportunity we want to be the firm that embraces it, places it and distributes it. We try to be different by creating schemes for unusual and under-served classes of business, rather than to launch products to sectors already catered for,” adds Paul.

But, once a scheme is up and running, he emphasises the broker cannot forget about it. “As the needs of the scheme’s customers develop, so must the benefits of the product. It’s important to keep up with customer needs, regulatory and statutory requirements as well as trying to stay one step ahead of the competition. Scheme underwriters must share the same philosophy of adopt, adapt, improve.”

And, as with the other brokers, he says

success comes through not following the pack. “We have focused on unique benefits and distribution. For many of our schemes the insurer relationships are on an exclusive basis. Being a BIBA-approved scheme provider is another example of how we have differentiated ourselves in a chosen market. There are a lot of firms who claim to have schemes but are really acting just as a wholesale broker. We are transparent about our insurer partners and happy to explain what our unique selling points are. We know the value of our products because we spend a lot of time researching the market before we develop them.”

Focus

Having ideas and marketing initiatives stolen, along with schemes wordings copied, is a perennial problem for schemes brokers – all are philosophical about it. “Seeing very similar schemes set up to yours is a fact of life – and you just have to focus on making sure your offering is better,” says David Ottewill.

Donna Beanland adds: “It can be frustrating, but in one case a broker who used one of our wordings and was defrauding clients was actually jailed – so we do keep a close eye on what is happening.”

Steve Foulsham concludes: “The market is challenging and the consolidators do have the buying power – and that includes schemes. But I see no reason why smaller independent brokers cannot continue to do well in the schemes arena. It takes a lot of hard work, first rate online delivery and service, as well as a commitment to areas such as contract certainty. Above all, it means knowing your stuff.”

Schemes brokers – insider secrets



“The brokers I see doing incredibly well offer online facilities but have a

switched-on call centre. They proactively chase leads from web users – namely if an online customer does not buy, then a phone call is made 20 minutes later to see if the sale can be secured. And they make sure they staff are extremely well trained.”

Malcolm Smith,
Groupama



“You should have members of staff working on individual sectors. Our people get to

know the key figures and the issues affecting that market. This also provides insight into potential health and safety issues. Our staff go to trade shows, conferences and we support our sectors where we can, say by sponsoring award event categories.”

David Ottewill,
Camberford Law



“We spend hours researching markets and going out to meet people

before we feel we can launch a scheme. But, while we rely a lot on word of mouth, you also need to reach people who will just be browsing for cover. A specialist scheme should appear high up on Google if you want to win the business.”

Donna Beanland,
Caunce O'Hara



“It is very difficult to protect intellectual property when it comes to

insurance products. The key is to grasp an opportunity quicker and better than the competition. A good scheme provider is one who is recognised as the best in its chosen area and whose product is consistently available.”

Paul Tasker,
Tasker & Partners

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Where the action is...

In other sectors, the credit crunch has brought funding and sales of businesses to a grinding halt. But **Jim Keeling**, a corporate financier in the thick of the market, says broking is still seeing plenty of deals

The year 2008 started with predictions of widespread doom and gloom for the corporate funding and mergers and acquisitions (M&A) markets. The credit crunch was well under way and it was clear that the UK economy was already heading for stormy waters.

The question on everyone's lips: Was this the beginning of the end? After an extended bull-run, were markets finally tightening up?

Well, in some sectors the answer has been a definitive yes: that is now clear for everyone to see. But in others, including insurance, the party has seemed to go on.

Key drivers of this, in the first quarter of the year, were Alistair Darling's capital gains and non-domicile tax changes, which both produced huge incentives to sell shares in businesses before 5 April. Some quite significant deals – such as the investment by hedge fund Och-Ziff in Towergate – went through in that period. In the run-up to the tax deadline, it was difficult to know whether fiscal incentives, economic drag or simple continued activity were the dominant forces.


But, whichever was driving transactions, there was a strong first quarter for M&A activity – in particular for smaller deals, which actually out-

performed or were at similar levels to each of the preceding 10 years. Statistics produced by data provider, Corpfin, show this both in terms of numbers and the aggregate value of deals. Fundraisings and takeovers contributing to the statistics in that period included those for brokers Giles and Towergate, both of which were backed by private equity.

The broking sector has long been of interest to private equity, with a string of deals in recent years that have also included investment by 3i in Smart & Cook, Fleming Family & Partners in RFIB and Hutton Collins in Windsor, as well as a plethora of others in insurers and related services. The recent Giles deal neatly demonstrates the continuation of this trend with one private equity owner, Charterhouse, buying the business from another, Gresham, in a so-called "secondary buy-out", giving the management team the opportunity to roll the dice again on its own investment.

The Giles deal is clear evidence that the sector continues to be of interest to private equity – despite credit crunch, tax incentives and any other factors that might be affecting insurance. More generally, the statistics for all M&A activity in insurance and related businesses up to the end of May 2008 speak for themselves:

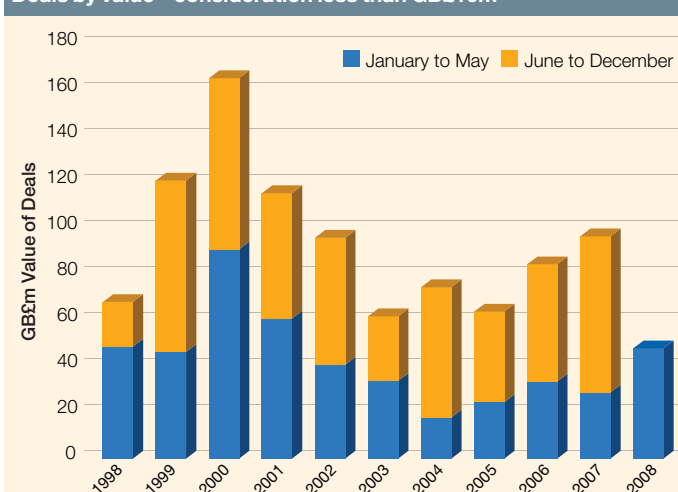


 Jim Keeling is joint chairman of Corbett Keeling (website: www.corbettkeeling.com)

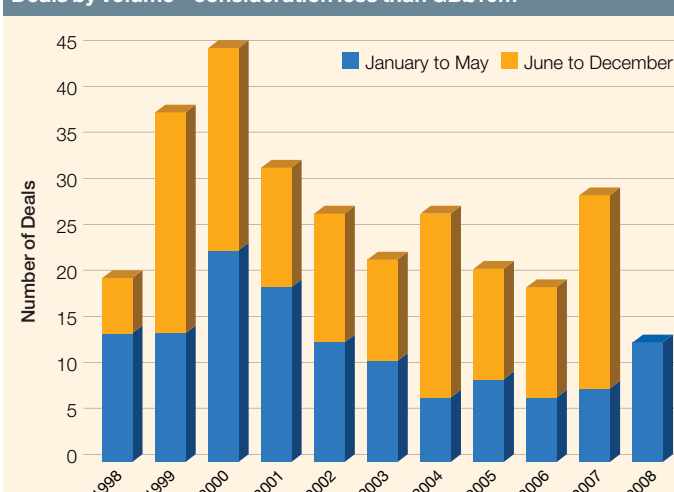


... the sector continues to be of interest to private equity

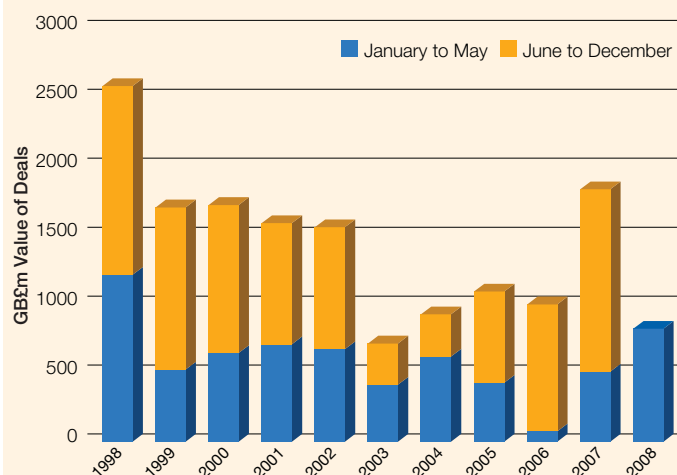
Deals by value – consideration less than GB£10m



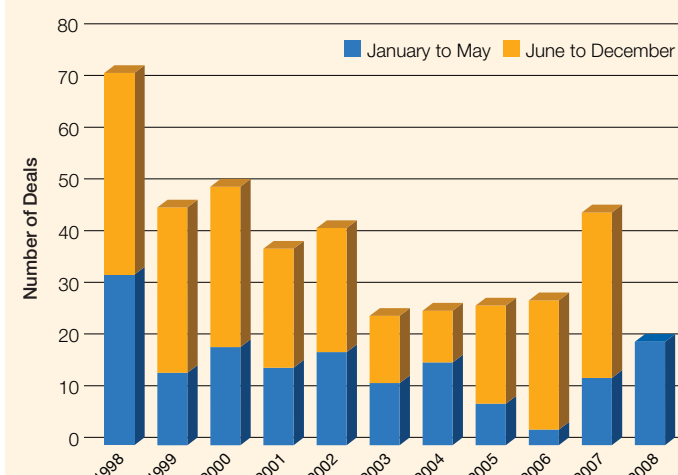
Deals by volume – consideration less than GB£10m



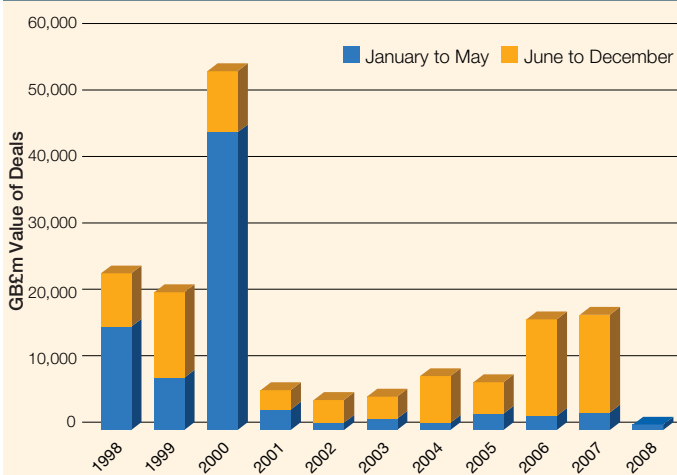
Deals by value – consideration between GB£10m and GB£100m



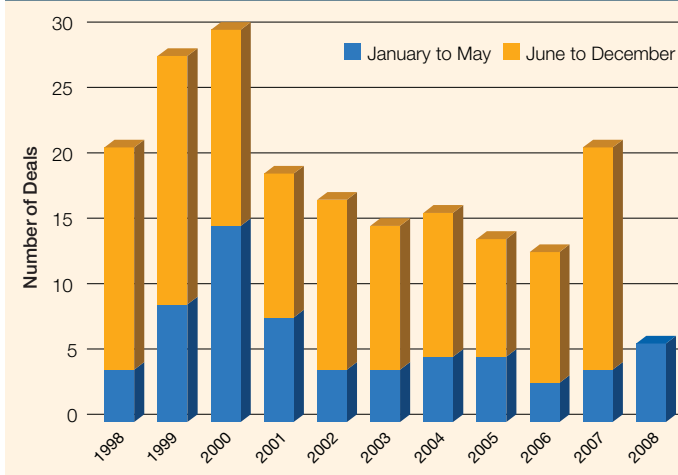
Deals by volume – consideration between GB£10m and GB£100m



Deals by value – consideration greater than GB£100m



Deals by volume – consideration greater than GB£100m



The charts for smaller deals, where consideration paid for the business acquired is less than £10 million, show that activity measured in terms of both aggregate value of deals done and numbers of deals was higher for the first five months of 2008 than in any of the preceding five years. The only periods showing anything significantly stronger than 2008 were the exceptional dot.com boom years of 2000 and 2001.

The mid-sized deal charts, recording transactions where consideration paid for the business acquired is £10-£100 million, show a very similar story. And, again, 2008 is starting strongly.

An interesting contrast, though, is shown in the chart of larger deals, over £100 million, where there is a significant drop in aggregate values compared with prior years. What is happening here?

The simple fact is that the credit crunch has hit the biggest deals hardest. Pre-crunch, bankers were prepared to lend six, seven, or sometimes even more times cash flow as debt to bolster the

funding packages used to acquire the largest companies. So the acquisition of a business making, for example, £100 million operating cash flow would attract £600 million or £700 million of debt in the funding package. These sorts of deals have stopped in their tracks for all but the most strongly asset-backed businesses. It is now common that banks that are asked for more than say £20 million debt for a buy-out funding package will only provide it in syndicates – they are running scared of going solo – and if the deal gets too much bigger the funding is simply not there.

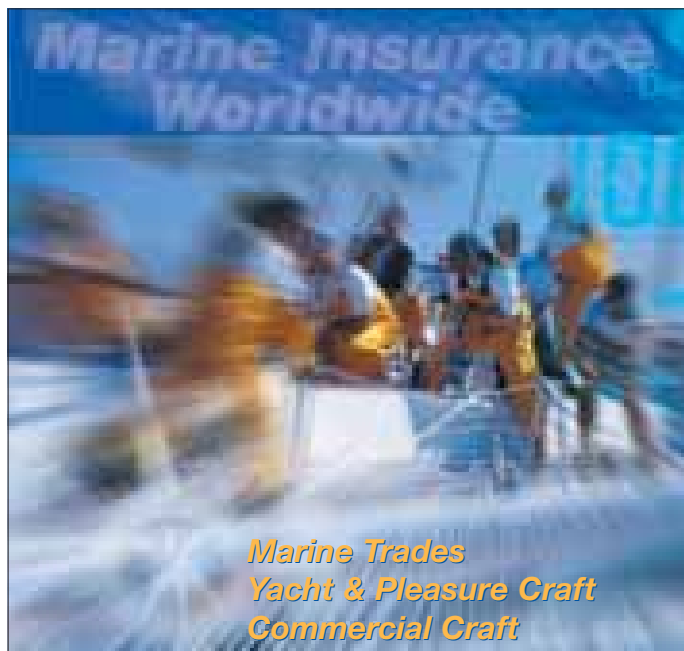
As a result, private equity fund managers at the larger end of the market are seriously underemployed. Without the debt they used to apply as leverage, they simply cannot get the deals done.

But multiples of debt on smaller deals never got to the heady heights of their larger cousins and, as a result, the post-party hangover has not been nearly as bad. All we have really seen has been a small downward adjustment in the ratios of debt to cash flow provided in the buy-out

packages – from, say, four times cash flow on smaller deals to around three.

This means that either the private equity fund managers that provide the balance of the funding package must come up with a larger proportion of cash required or vendors' price expectations must come down. Given the continuing flow of completed deals, the conclusion must be that one or the other, or both, of these adjustments have happened in short order – but only for smaller deals.

So what of the rest of the year? We are experiencing no let-up in the desire of owners to sell, management teams to buy, and funders to fund. In particular, in the insurance broking sector, multiples of brokerage or profits paid for businesses are holding up and all the traditional drivers of consolidation – margin enhancement, economies of scale, etc – continue to apply. So we expect to see more takeovers and believe that, with room for more consolidators, there will be continued activity from private equity, as well as trade buyers.



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Taking TCF to heart

Brokers are understandably fearful of coming under the FSA's scrutiny and, in particular, coping with ARROW visits. **Martin Friel** explains how to satisfy the regulator

Time flies when you are mired in regulation. It is only five short months until the December deadline for having a treating customers fairly (TCF) culture in place within your firm. It might feel like there is plenty of time to get your house in order, but when you consider what is actually required to satisfy the FSA, there really is not that much time.

As our case studies show, the FSA is keen for firms to show that they have embedded TCF throughout the business from directors down to the sales staff at the front line. And that is no easy process. But what is it that the regulator really wants to see?

TCF is a notoriously vague concept and many brokers have struggled with their

interpretation of it, longing for straight rules that can be followed and adhered to. The FSA accepts that the vast majority of firms have an innate desire to treat their customers fairly, but this desire and assurances that they are treating customers accordingly is simply not enough.

As Steve White, BIBA's head of compliance and training, explains: "There are six consumer outcomes that the FSA wants to see secured and these must be proven by management information (MI). It's not about collecting MI for the sake of it. What does it tell you? What areas of concern did you identify? How have you acted upon this information and how have you changed your processes accordingly? Has your action eradicated the problem?"

This is the core of what the regulator is looking for at this stage of the TCF process. It expects firms to be embracing the concept and be well down the road to having it as an integral part of the company's culture.

A quick glance at the case studies (right), indicates that there is no standard format that the FSA adheres to when visiting a broker – it appears to be tailoring its approach according to the size of the firm and how the FSA evaluates its risk exposure.

One firm described its TCF visit as “an absolute breeze” but as the third case study shows, brokers should be wary of underestimating these visits. Ultimately, the FSA can and, if it feels it is necessary, will come down hard on firms it believes are not embracing this aspect of regulation, with the ultimate sanction of enforcement never far away.

Essentially, it is now about proving that you have TCF embedded within your firm. The FSA has a self-assessment tool available on its website: www.fsa.gov.uk/pages/doing_small_firms/general/docs/tcf_tool.pdf and there is help to be found for smaller firms at: www.fsa.gov.uk/pages/doing_small_firms/index.shtml

In addition, BIBA has published a significant paper on MI, what it is, and how to properly utilise it to the satisfaction of the FSA. This can be found at the ‘regulation updates’ section of the BIBA website.

The message is clear. The FSA is serious about TCF and it expects you to be taking it as seriously as it does. It's a near-inevitability that you will receive a visit and, as the case studies show, it's far better to be prepared, than to risk the wrath of the regulator.

How to survive

Darryl Clark,
group head of risk management,
Towergate Partnership Group

Darryl Clark has experienced two ARROW visits, both of which lasted two weeks. On the first, the FSA interviewed 27 directors, non-executive directors and members of senior management. On the second, there was much more focus on customer-facing staff.

“We were given three months’ warning and they told us broadly what they would be looking for beforehand. A month before the visit, the FSA sent us a list of documents that it wanted to see and this included client money issues and corporate governance but one of the main focuses was TCF,” Darryl explains.

He says that the FSA was keen to understand how the firm defined TCF, see that it was taken seriously at board level and that this understanding had cascaded down to all levels of the company.

“It is the latter part that demonstrates TCF has been embedded, which is what the FSA is looking for. We were subjected to intensive scrutiny on this.”

But the process does

not stop there – the FSA was also interested in how the firm verified that TCF was indeed embedded and as such, Darryl has implemented an audit process.

“We have begun specific TCF audits in particular areas, for example claims handling. The interesting thing is that while one of our claims units may have received an exemplary ICOBS Chapter 8 audit result, this isn't necessarily the case when we look at things through a pure TCF lens. I think that this is what TCF is really all about.”

According to Darryl, it is crucial that firms have all this in place as standard and not find themselves trying to put everything in place at the last minute.

“If a firm finds itself in a wholesale exercise of regulatory ‘catch-up’ then it will be found out. My message would be to not put off until tomorrow what you can do today. When the FSA rings the doorbell you ought to be feeling confident, not quaking in your boots.”



The message is clear. The FSA is serious about TCF and it expects you to be taking it as seriously as it does

an **ARROW** visit > > > > >**Philip Pagin,
managing director,
Borderway Insurance Brokers**

Philip Pagin had a routine thematic visit in May this year but, like many others, he found that TCF was very high on the agenda. He was given two weeks' notice and the FSA gave him a full list of the documents it wanted to see both before the visit and what it would require during it.

"TCF was definitely a major consideration – they wanted to know how we demonstrated it and how we recorded our management information. They also wanted me to demonstrate how the staff had embedded TCF into their day-to-day processes," he says.

Unlike Darryl Clark's visit, the FSA focused solely on Philip without talking to individual staff members, but he was asked to demonstrate how he ensured that TCF was embedded within the working culture of his staff.

One of their key considerations of the visit was management information and how this was used to analyse TCF within the firm.

"They were pretty stringent that management information was recorded and they concentrated on both broad, general themes as well as drilling down to the nitty-gritty," he explains.

"There were certain areas of TCF within the company that we had under consultation and they produced a schedule with relevant timescales of when they expected these processes to be completed."

Despite the reputation that the FSA 'enjoys' as a draconian body bent on meddling in brokers' affairs, Philip found it to be "incredibly co-operative".

"They were extremely concise and clear about the purpose of the visit and the conclusions they had come to," Philip adds.

"They gave me a rundown of areas that they said needed some clarification and gave me 21 days to remedy them. All I would say to other brokers facing a visit is don't panic, do your homework and most importantly, be open and honest."

Anonymous

Although the majority of FSA visits result in no more than a prodding in the right direction and the establishment of timelines for future progress, it is entirely possible that a firm could face enforcement as a result of non-compliance. This is the case study of a broker who singularly did not meet the expectations of the FSA and has been threatened with the possibility of enforcement – a threat based solely on its lack of engagement with TCF.

The main area of concern for the FSA was that the firm was not in a "position to demonstrate that its customers could be confident that they were dealing with a firm where fair treatment of customers is central to its culture".

Crucially, although the FSA conceded that the firm had a genuine desire to treat its customers fairly, the firm had not made any progress in implementing TCF and had missed the March 2007 deadline to achieve the FSA's six outcomes. "We consider not meeting this deadline as a serious breach and you are currently below

the standard we expect," the regulator warned.

The FSA highlighted the areas where the firm was falling short and explained clearly what was required to remedy them. The main recommendations were to implement a clearly-defined programme of monitoring the business to identify areas of weakness. It also requested that the firm keep client files documenting that the client's needs had been met and that all the details of the policy had been disclosed. Even the use of occasional advertising was picked up, as no record of this had been kept. It also pointed out that it was not enough to provide customers with all the appropriate documentation – it had to be evidenced.

Ultimately, the firm was requested to draw up an action plan and show that it was acting on it within two months. The FSA also directed the broker to various sources for help in how to tackle the problems, but warned that unless action was taken, it was likely that the firm would be referred to the enforcement division.

**Be in the know – advice from regulation guru, Branko Bjelobaba**

→ **Be honest** – you know where you will have issues. It is likely a broker will have a pretty good idea where the FSA will find fault and so should avoid taking an ostrich attitude

→ **Be clear** – most forms of general insurance are complex. Ensure your documentation is clear

and as understandable as possible. Get someone outside your business to read it and tell you what they think

→ **Be efficient** – are your firm's processes efficient and robust? Are clients looked after well?

→ **Be informed** – attend any training you can. Make sure insurers are helping with the

clarity of documents and the speed of issue – contract certainty is an issue for both parties

→ **Be active** – once you know what the gaps are, do something about them and keep looking at your firm. There should be total fusion between business objectives and fairness.

PR: Is a front page splash worth splashing out for?

More brokers want a touch of spin. And a growing number of BIBA members have been asking for guidance on whether they should take on a public relations company. So, is it worth paying out an ongoing chunk of cash and how do you select the right agency?

The most successful businesses have strong brands – and invariably a media presence. But few, if any, brokers have the

time or knowledge to build this on their own. A PR agency exists to provide this service.

Caroline Wagstaff is a former Lloyd's marketing director who founded her agency, Lucid Communications, three years ago. It specialises in insurance and she counts among her clients a number of London Market players and affiliated lawyers, including Clyde & Co.

Caroline says there is usually a trigger

for a broker wanting to take on an agency. "It could be making a major acquisition, it could be a crisis, or the company may have launched a new initiative which it wants to tell the market about."

Talking to journalists can scare the living daylights out of many brokers. But, Caroline insists attitudes are changing. "We do a lot of media training with our clients and they soon realise the majority of journalists are not going to be like Jeremy Paxman."

She emphasises that PR takes time and effort from both parties. "We do a lot of the leg work and ensure our clients have PR opportunities. They must be enthusiastic and prepared to put over their messages – and comment on a variety of issues. Once it all starts, they often find having a media presence enjoyable."

M Consulting is a full service marketing and PR agency, based in Birmingham. It had a stand at the recent BIBA conference and director Claire Clarke comments: "PR should not be seen in isolation. It's an integral part of what a broker should be doing in its marketing."

She emphasises that simply building up a big book of press cuttings for the reception desk is not the end game. "PR must be aligned to the business plan – what does the broker want to achieve? Where do they want to grow? What are the key challenges? It is only by knowing what you want and setting a clear strategy at the start you can obtain maximum value."

Howden Insurance Brokers has grown fast and recently attracted investment



Clients... soon realise the majority of journalists are not like Jeremy Paxman



from private equity provider, 3i. In 1994, it employed six people and now has 350 in 25 offices.

The company works with Spotlight Communications and director Sarah-Jayne Douglas says clients have every right to be demanding: "We know large agencies will wheel out the senior people for the pitch, then have the juniors working on the account. That is not good enough. We don't employ trainees – you have to be able to get under the skin of the client and if we can, we like to work around half a day a week in their offices."

She adds fees should reflect what is achieved. "If we get a client top quality coverage and they see the results, we charge a bonus – it is fully transparent and all targets are agreed at the outset," she concludes.

Key questions when hiring a PR agency

Vaughan Andrewartha, director of Votive Communications, has worked for a major City agency before starting his own firms. He is a former independent financial adviser and throughout his PR career, has specialised in general insurance and regulatory matters – he predicted the FSA would regulate brokers five years before it happened.

He recommends asking the following:

- does the agency specialise in your sector? Beware of those who claim to be business generalists
- quiz them on their industry knowledge and on their media contacts – do they know the publications you want to target... and can they suggest other vertical titles?
- who will be working on your account? – make sure a senior person will have day-to-day responsibility
- what are the costs? Obtain costs for retained and project work, but also see if they have a bonus scheme based on performance
- what do you get for your money? There are clear benefits in using an agency which is prepared to work to performance related targets. Ask the agency to show the coverage it has achieved
- take up references from existing clients.

Mediate, don't litigate



Brokers never know if they may face a legal action, but mediation may well prove the most effective way of solving a dispute.

Miles Emblin is an expert witness and mediator, and has acted for brokers in many cases. He comments: "Mediation is underused in this country, but it has a high success rate and the costs are generally far lower than litigation."

He explains that a mediated case involving a broker could involve a number of parties – for example, an aggrieved policyholder, broker and wholesaler and perhaps the insurer and legal teams. "It is fine to have all the parties together, but what is essential is that they agree they will meet and try and find a resolution."

Miles has a huge amount of experience and holds an exceptional number of insurance qualifications – he is also a founding member of BIBA.


"With my background, I have a pretty good understanding of brokers and if there is a problem, I fully understand

that they want to sort out disputes in the most timely and least litigious way. A further benefit with mediation is that it is confidential – and once the dispute is properly resolved, the broker should be able to put the matter behind them."

Miles is a Member of the Academy of Experts, a Member of the Institute of Public Loss Assessors and a Court Directed Expert Witness.

Beyond this, he holds an EEC Certificate of Experience from the UK Department of Trade and is an accredited mediator member of The Chartered Institute of Arbitrators. He is a Financial Services Authority-approved person and a practising compliance officer.

He says that professional indemnity is a main speciality, but he also works on life and pensions, personal lines, motor and a wide range of marine and non-marine disputes.

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You've got it covered

BIBA's range of schemes is constantly being expanded and enhanced – **Steve Foulsham** updates members on the latest benefits

Finding solutions for landlords

BIBALET is one of the UK's leading let property insurance specialists, which has access to an expanding portfolio of major blue-chip insurers. The scheme offers a comprehensive range of let property and risk management solutions.

This incorporates in-house claims and legal teams, together with lettings and insurance industry-qualified personnel to ensure BIBA members provide the best possible advice and first-class service to their let property owner clients.

With many landlords still purchasing insurance products designed for private owner-occupiers, BIBALET's cost-effective cover has been specially developed with the freeholder in mind and to reflect the unique risks involved in letting a property.

Benefits include:

- same rates for DSS, students and professional lets
- protection against damage caused by the tenants
- full cover between lets (subject to conditions)
- loss of rent to 20 per cent of the buildings sum insured.


BIBALET is committed to providing market-leading solutions at the right price and constantly reviews its products and suppliers to ensure BIBA members and their clients receive value for money.

Excellent commission rates, access

to property insurance specialists, and a comprehensive product portfolio allow BIBA members to offer added value benefits with the opportunity to significantly increase income. There are no minimum volume requirements to obtain an agency.

BIBALET offers a wide range of cover for members' let property owner clients, including:

- landlords' buildings and contents
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- holiday homes
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- rent protection
- legal protection.

 **For more information, contact Sandra Craig on 0844 800 3606 or speak to any member of the team to obtain instant quotes. Alternatively, speak to one of the scheme's regional sales representatives, email info@letsure.co.uk and visit the website at www.bibaleet.co.uk**

Tailored cover for wealthier clients

In the mid and high net worth market, brokers play a pivotal role by providing peace of mind to policyholders, finding the most suitable policy and giving guidance and advice. Sterling recognises this – products are only available through

brokers and the company does not market or advertise directly, nor does it intend to do so.

Growth in people's personal wealth has increased substantially in recent years and this is matched by their busy lifestyles. The larger and more complex an individual's requirements, the greater the need for a tailored insurance solution. As BIBA's mid and high net worth scheme provider, Sterling is committed to creating first-class products that meet client needs and it has a continuous cycle of product review.

Executive Home already caters successfully for emerging wealth and mid net worth customers at an affordable price. However, Sterling's partner broker research showed that a new high net worth policy would provide an added dimension to its product range and complement Executive Home, hence the creation of Executive Plus.

Executive Plus is designed for high net worth customers with a minimum contents, art, jewellery and watches of £250,000 or a minimum premium of £2,000.

Key features include:

- Lorega claims concierge service
- a free walk-through validation by Lyon and Turnbull
- extended replacement on buildings and contents – up to 125 per cent on contents
- an excess waiver on claims above £2,500



Severe flooding in Carlisle: rescue workers help people in a commercial district

- interest-free direct debits
- an all-inclusive crisis management section with incorporation of identity theft, red24
- an upgraded replacement jewellery option
- a dedicated underwriting team with exceptional technical ability and experience to ensure that a specialist service is provided.

Sterling provides flexibility and expertise and gives brokers the comfort factor of being able to provide solutions to even the most challenging cases, whether on Executive Home or Executive Plus.

The reality is that no matter how good the policy wording, the real differentiation is the quality of the claims service. Sterling's mid and high net worth customers will receive exceptional speed of response and specialist advice throughout the whole process.

For more information, contact Sara Greenland on 0845 271 1300, email agency@sterlinginsurancegroup.com or visit the website at www.sterlinginsurancegroup.com

Taking control of a crisis

The value of providing initial assistance in the first few hours following an incident was never more important than demonstrated by the events associated with last summer's floods.

Disaster recovery specialist and BIBA scheme provider ISS Damage Control has introduced a new initiative for drying buildings which is dramatically reducing the cost of claims and reducing trauma for policyholders, while assisting brokers in providing added value to their clients at

the time of a claim. The ISS Rapid Drying System can dry out waterlogged buildings in days rather than the weeks it takes using traditional air mover systems. Combined with the use of a thermal imaging camera, it also enables an intelligent approach to building restoration, identifying which areas need drying with pinpoint accuracy and allowing the drying plan to be modified accordingly.

The ISS RDS system uses hot, but not totally dry, positive air pressure to drive moisture out of walls and into the atmosphere, enabling buildings to be dried with a minimum of stripping out. Similar 'dry air' systems run a risk of drying a building too rapidly but not RDS, as it does not pre-dry the air. The system leaves walls intact and undamaged and the drying process takes days instead of weeks using traditional drying methods. ISS Damage Controls' six RDS systems were extensively used during the floods of 2007 and are becoming the preferred drying method for many loss adjusters.

ISS Damage Control Managing Director, Shaun Doherty, says: "Our ISS Rapid Drying Systems were used on more than 100 separate flood claims in commercial premises and were consistently drying premises in under 14 days, bringing with them huge savings in secondary damage and business interruption. They also proved instrumental in delivering business continuity plans. ISS saved hundreds of businesses and jobs, plus millions of pounds in savings for insurers. Many of our customers were back in their premises and trading weeks – and even months – before many of their neighbouring businesses who had to rely on more

traditional dehumidification methods."

In one case, the RDS system was used to dry out a medieval Grade II-listed building with metre-thick walls which had been converted into a residential care home. Disruption to the integrity of the building was avoided and the effectiveness of the drying process was enhanced by injecting hot air through 50mm pipes directly into the wall cavities. In addition, the ISS Damage Control team rapidly restored a series of new buildings on the same site which provided high dependency care for older people.

The RDS system has demonstrated its ability to restore buildings without creating major disruption.

For more information, contact Paul Bradshaw on 01889 570777, email rugeley@uk.issworld.com or visit the website at www.iss-damagecontrol.co.uk

Steve Foulsham is BIBA's technical services manager

BIBA's schemes: the full range

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- 5 Directors and Officers
- 6 Electronic Marine Cargo
- 7 Excess Public and Products Liability
- 8 Haulage and LGV Insurance (MotorRISK)
- 9 High Net Worth
- 10 Holiday Travel
- 11 Home Insurance
- 12 Late Night Entertainment (ClubPM)
- 13 Let Property (BIBALet)
- 14 Loss Recovery Insurance
- 15 Marine Cargo (ClearCargo)
- 16 Medical Malpractice
- 17 Motor
- 18 Non Standard Property
- 19 Unoccupied Properties

Facilities

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Act now to steer clients

The capsizing of *The Herald of Free Enterprise* was a catalyst for changes in the law

The new Corporate Manslaughter Act has far-reaching implications and, as **Alan Manners** advises, brokers should make sure clients understand how serious these could be

Prosecutions of companies considered responsible for deaths – from rail crashes to accidents at work – are expected to rise under the Corporate Manslaughter Act 2007 which came into force last month.

Organisations, including companies, partnerships, local authorities and Government departments that might otherwise have been able to avoid prosecution or conviction will, under the new Act, be more easily brought to justice.

Under the old law, where it was alleged

that the acts or omissions of a company had resulted in death, a company could only be convicted of gross negligence manslaughter if an individual within that company could also be found guilty of manslaughter that could be identified as the “directing mind” of the company. This would be a senior individual who could be said to embody the organisation in his actions and decisions – known as “the identification principle”.

The new Act enables the collective failings of a company’s management to be

examined. Although individuals cannot be prosecuted under this new Act, individual managers and directors will still be able to be prosecuted for what is known as gross negligence manslaughter and those individuals could face prison sentences following a conviction.

The Act creates a new offence where an organisation would be guilty if the way in which its activities are managed or organised causes death and this amounts to a gross breach of a duty of care towards the deceased. In addition a substantial part

of the management failure must be at a senior level.

Under the old law, in order to secure a conviction against a company, the prosecution had first to secure a conviction against an individual in that company who could be identified as having been the directing mind of that company, that is, an individual who could be said to embody the organisation in his actions and decisions. A new law was needed because of the repeated failures to secure convictions against large companies for multiple deaths in either public transport or industrial related accidents.

It was partly because of the capsizing of the *Herald of Free Enterprise* off Zeebrugge in 1987 with the loss of 187 lives which was the real catalyst for change when a public inquiry highlighted management's failure to take into account the health and safety of its employees and passengers. Mr Justice Sheen, who chaired the inquiry, concluded that: "from top to bottom the body corporate was infected with the disease of sloppiness".

He added: "That kick-started the public and political debate which was taken up by the Labour Party in 1997 when the then Home Secretary Jack Straw announced that the Government would enact the recommendations of a Law Commission report and introduce a new offence of corporate killing. The Corporate Manslaughter Bill would become a flagship piece of New Labour legislation which took 10 years to reach the statute books."

The past 20 years has seen a litany of mainly public transport disasters such as Zeebrugge, the King's Cross fire, and

the rail tragedies at Potters Bar, Hatfield, Paddington and Southall, none of which resulted in a successful prosecution for manslaughter against the companies concerned.

Prosecutions failed against large companies because of the identification principle. It was impossible to identify an individual within a large company who could be said to embody its actions or decisions who was also guilty of manslaughter. That was easily singled out as the main reason for these prosecution failures.



The key issue for the jury will be to decide whether or not there has been a gross breach of a duty of care

Under the new law there is no longer a condition precedent to find a "directing mind" that is also personally guilty of manslaughter. However, the prosecution will still need to prove management failure at a senior level which caused the death and which amounted to a gross breach of a duty of care to the deceased.

In the Act, senior management is defined as those who play a significant role in making decisions about how the organisation is managed or organised or the actual management of those activities.

The main difference under the new law is that the prosecution will now be able to aggregate the component parts

of the management of the organisation and as long as a substantial part of that management failure is down to senior management, there can be a successful prosecution.

You no longer have to identify a sufficiently senior individual who made the decisions that lead to the death. The prosecution will seek to identify possibly a number of decisions, acts or omissions one or more of which were made by persons coming within the senior management test which can be said to have led to death.

The onus is on senior management

to plan, deliver, monitor and review its health and safety policies and procedures effectively and to embed within the organisation essential health and safety principles. This must be drilled downwards from board level through different levels of management to the factory floor or construction site in conjunction with effective engagement with the workforce at all levels.

In terms of proving the offence, the key issue for the jury will be to decide whether or not there has been a gross breach of a duty of care which caused a person's death.

Here there are specific factors set out in the Act for juries to take into consideration

The broker's duty – what to tell your clients

Brokers should seek to remind clients of the damage a prosecution for corporate manslaughter could have on their business.

For example, the Act provides for Publicity Orders requiring guilty companies to make public the details of the offence by placing 'advertising' notices of the conviction in the local and/or national press. This will include details of the conviction and the amount of any fine payable.

Courts can also make Remedial Orders which will force companies to take steps to remedy the failures which led to the death.

Hugh James believes the Publicity

and Remedial Orders will not be covered by the company's insurance policies, as they are part of the penalty imposed by the court.

The clear intent of the new Act is to ensure that maximum public relations damage is caused to offending companies: by name and shame.

Failure to manage health and safety adequately will leave organisations vulnerable to prosecution for this new offence. The clear message for all companies is always to put safety first.

WHAT WILL BE COVERED?

→ Companies will be liable if their action or inaction amounts to a gross breach

of duty and a death results. They need to understand that penalties include unlimited fines, Remedial and/or Publicity Orders

→ Any police investigations will be thorough, commercially damaging and very costly in terms of the company's management resource and legal representation

→ There may be gaps in existing insurance cover for legal costs as the 'target' is the company and not the individual director or officer. You need to check policy wordings carefully. If you are in any doubt, you should contact the insurer and seek clarification, preferably in writing.



when deciding that question.

These factors include any health and safety breaches by the organisation as well as its attitude towards health and safety, for example, whether or not there were accepted practices within the organisation which encouraged or tolerated such failures.

A key question Hugh James would ask employers would be: Would you be confident in calling on your employees to give evidence that health and safety was treated seriously by the management and that there was meaningful engagement with the workforce and effective implementation of health and safety policies?

All employers should obtain the Health and Safety Executive/Institute of Directors guidance *Leading Health and Safety at Work*, to honestly assess their health and safety policies and procedures.

The reality is that there will be increased police investigations which will be more intensive than before and more individuals will be caught up in the process exposing companies to higher costs both in terms of legal and training costs but also management time. Companies will need to check with their brokers that they have sufficient insurance cover for these investigations.

Corporate manslaughter – facts and figures

- In 2006-07 alone, 241 people were injured fatally at work, according to figures published by the Health and Safety Executive
- Since 1992, there have been 35 prosecutions for corporate manslaughter and seven convictions
- The new offence, which comes into force after decades of lobbying by campaigning groups such as trade unions and victims' relatives, follows a series of disasters where prosecutions collapsed or could not be mounted
- They include the deaths of 187 people after the capsizing of the *Herald of Free Enterprise* in 1987; the King's Cross Underground fire in the same year (31 deaths); the Piper Alpha oil platform disaster in 1988 (167 deaths); and the Paddington rail crash in 1999 (31 deaths).

The position with motor insurance



Concern has been expressed in some quarters as to whether a motor policy will cover the defence of a corporate manslaughter prosecution. Ordinarily, the driver will be covered where a prosecution is brought for causing death by dangerous driving.

However, different considerations may apply if an employer is prosecuted for a death caused by, say, allowing or encouraging an HGV driver employee to exceed his permitted hours or where a travelling salesman causes a death by falling asleep at the wheel after working excessive hours.

If the employing company fails to give proper instructions to its drivers or other employees, it could well find itself the target of a very serious and costly prosecution.

Allan Briscoe, technical consultant with Aon and chairman of BIBA's Motor Panel, points out that motor fleet policies already provide cover for manslaughter defence costs – not just causing death by dangerous driving – for the driver. Some companies incorrectly believe that this automatically caters for defending a corporate manslaughter charge.

He adds insurers are still deliberating as to whether they will provide defence costs for a corporate manslaughter charge – some have said no, some have said yes but up to a limited amount, others appear to be offering without limit.

The wording of any clause within the policy is important – does it only provide cover for an incident giving rise to a claim under the policy? If so, this would not offer protection to the company in,

say, a situation where an employee was using a privately owned and insured vehicle on company business. The company could still face a charge, as they have equal responsibility for managing employee owned or other non-company provided vehicles as they do for company ones.

And he asks if the wording dovetails sufficiently with other policies? For example, no cover is provided under a motor policy for a fatally injured driver – if the company was found liable for the death, the claim would be brought under the company's employers' liability policy.

Mr Briscoe adds there is a reasonable precautions condition under motor policies. The actual wordings vary and will influence whether an insurer is prepared to defend a charge. If the policyholder has not taken reasonable action to prevent the incident, the likelihood is that the cost of defending a charge will not be covered. The insurer would in any case not agree to fund a defence unless there was a reasonable chance of success.

Andrew Manners is a partner and head of regulatory and defence services with law firm Hugh James

* Hugh James recommends the recently published joint guidance issued by the Institute of Directors and the Health and Safety Commission, *Leading health and safety at work – Leadership actions for Directors and Board Members* – see www.hse.gov.uk/leadership



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Regulation brings responsibility

Cover must be fit for purpose, as **Richard Wynn**, Howden's professional risks director, explains

Although we might like to think that we're a cut above the rest, are insurance brokers really any different to the vast majority of professionals? Most of us are hard-working, diligent individuals striving to deliver good service in accordance with the requirements of our employer and the industry.

Where we do differ, along with colleagues in the financial services sector, is in managing the responsibilities emanating from FSA regulation. Arguably, we have benefited from the greater professionalism now within the industry, but there is no doubt that remaining compliant is a significant responsibility.

A lawyer looking for evidence on which to base a negligence claim against an intermediary may try to find breaches of regulation – be it authorisation, ICOBS or TCF. So, in developing a new policy for BIBA members in partnership with Zurich,

we have been examining areas where the changing regulatory landscape may provide new exposures for brokers – and sought to address these in the policy.

The key areas we have focused on are:

- principles-based regulation
- non-regulated activity
- introducer-appointed representatives
- responsibilities of approved persons.

The FSA's ongoing move away from a rules-based regime to principles-based regulation gives brokers much greater flexibility, but it may represent a challenge to firms who don't have the resources and mixed skills base to interpret the principles and respond accordingly.

Principles-based regulation is designed to make firms focus on outcomes, rather than sticking to the letter of the law, but because the way of reaching that outcome is open to interpretation, principles-based regulation may be harder to tackle.

One area where there could be some

exposure is when a party unwittingly acts outside the permissions granted by the regulator and undertakes 'non-regulated activity'.

Many brokers are not authorised for all the regulated activities applicable to insurance mediation and performing a regulated activity without permission may be a criminal offence. It is vital to make sure employees are aware of exactly what they can and cannot do and have a regime in place to identify and manage any potential breaches.


This is also an area of risk for introducer-appointed representatives. They are not always permitted to provide advice, and as the principal, you are responsible for ensuring they do not. It is not easy to deny a customer who may be genuinely confused with the options open to them, so for example, those who run a telephone helpline alongside an online non-advised service have to be particularly careful.

There is now far more onus on client-facing staff, but this may be far outstripped by the raft of extra responsibilities facing approved persons – because that brings with it personal liability.

As existing PI policies do not provide sufficient cover for action against approved persons, Howden has built-in a provision for defence costs and expenses to cover them if they are investigated.

So, while we are going about our business like everyone else, we might have to continue to employ that extra effort to keep embedding the FSA's principles and guidance into all our daily routines with appropriate systems and effective controls to ensure adherence to them.

A PI policy is a safety net, but it is only fit for purpose if it reflects the contemporary regulatory environment.

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NEW adjustable contractors policy.

Thanks to everyone who joined us on our stand at the BIBA conference and saw the demonstration of our new facilities.

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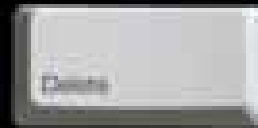
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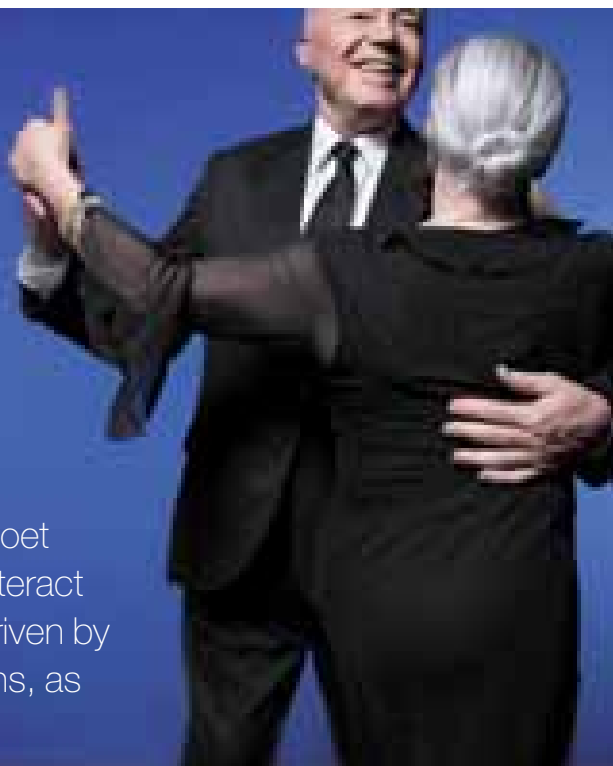
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Take your partners



"No man is an island..." were the words used by poet John Donne to illustrate our need as humans to interact with others. With more national regulation being driven by Europe, the same can be said of trade associations, as **Vannessa Young** explains

BIBA prides itself on connections which enable it to represent members' interests at the highest level with consumers, Government, regulators and the industry.

In Europe, BIBA's influence remains strong through its membership of BIPAR, the European Federation of Insurance Intermediaries. BIPAR's primary mission is to create a positive European regulatory environment for professional insurance intermediaries. It has become the single recognised voice for professional associations of insurance intermediaries and independent financial advisors in Europe since its creation in 1937. BIPAR presently has a membership of 48 national associations and represents some 80,000 insurance agents and brokers.

"The most important factor that allows BIPAR to achieve and to sustain its recognition as the single representative voice for intermediaries in Brussels is undoubtedly its wide membership of insurance intermediaries associations throughout the European Union and its ability to forge consensus among member associations regarding the key issues," according to Nic De Maesschalck, the director of BIPAR.

BIPAR continues to build upon the close working relationships it has established with the European Union, Parliament, Commission and the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS).

Current issues on its agenda include: the follow-up to the final report of Director General of Competition's inquiry into business insurance; the Insurance Mediation Directive implementation check; agreeing a definition of freedom of services for insurance intermediaries; study of the possible impact of Solvency II on intermediation and the market; insurance guarantee schemes; the Consumer Credit Directive; substitute retail products; and the proposal for a new directive on the VAT treatment of financial services.

"Many BIBA members will recognise these issues as being on their own national agenda. This should not be surprising, as it is estimated that in financial services, more than 85 per cent of national regulation is driven by European regulation.

"Intense and effective cooperation between our national associations, such as BIBA, and constant dialogue between BIPAR and its members, is therefore more important than ever in the effective promotion of our interests at a European or international level," Nic notes.

This dialogue has allowed BIPAR, for example, to define a clear position for the sector in the debate on possible changes to the VAT exemption rules. This dossier is not finalised, but thanks to BIPAR and its national associations the needs and wishes of all intermediaries have been made clear to decision makers, he explains. It is expected that the new VAT (exemption)

rules will be decided by the end of 2009. BIPAR believes that the core business of insurance intermediaries should continue to be VAT exempt and this is indeed the direction that discussions seem to be taking.

BIPAR also forms the European chapter of the World Federation of Insurance Intermediaries (WFII). The WFII unites intermediaries from Europe, Africa, North America, Latin America and Asia/Pacific rim with the aim of promoting the increasingly vital role of insurance intermediaries in today's economy, providing a powerful voice to advance their interests at an international level.

Nic points to a forthcoming International Association of Insurance Supervisors' conference in Budapest this October as proof that Europe is in no way an island. David Harari, WFII chairman, will be a panellist at a one of the conference's market conduct sessions to promote intermediaries' interests at a global level and where, inevitably, commission systems and conflicts of interest will be under discussion.

Nic says: "As you can see WFII members are working together to ensure that all regulation supports a level playing field at national, regional and international levels. We believe that the further liberalisation of insurance intermediary markets across the globe is in the best interest of consumers and will help strengthen the economies of all participating countries."

Capital connection

Although the risks may be larger and global, the City is a region like any other – and BIBA is working as hard for its members here as it is in the provinces.

Some brokers in the UK provincial market may feel estranged from those in the London Market. But there are strong links, and one of the most important is BIBA membership.

Brokers such as Towergate and Alec Finch may be well known for their provincial presence, but they also have City-based offices – for brokers wanting to handle particular classes of business and access any of the unparalleled specialism of London Market insurers, this is the only place to be.

BIBA chairman, Derek Thornton, a London Market broker with FSJ, comments: “There are around 140 or so London Market brokers and they are not all big firms. Of course, the big national brokers are well represented, but we are here for all our members.”

He points out that commission disclosure is a case in point. “A London Market broker may side with many in the regions and agree that a market solution can be found. Some brokers are in favour of full disclosure and are required to do this. But others will have different views and we are a forum where views can be heard.”

Ken Davidson, non-executive chairman of Crispin Speers, has been a BIBA member since the outset. He’s always sought to broaden his experience outside his main role and is a past president of the CII and has also chaired the British Insurance Law Association (BILA). Most recently, he has taken on presidency of The Insurance Charities.

Ken says: “BIBA membership provides you with an advantage. It is about having access to experts if you have a problem, access to training and invaluable regulatory guidance. I worked with Eric Galbraith around 30 years ago – he has experience of being a hands-on broker and he still remembers this. BIBA is more effective now than ever.”

And Derek emphasises a growing part of BIBA’s work involves lobbying on European issues. “In the London Market, we are particularly aware of competitive issues, but Europe can impact on us all. At BIBA, we are working closely with European body CEIOPS, as well as the FSA. It was felt a moratorium on new regulation was in place, but this is not happening – change is happening through existing directives. Our work has to be ongoing – where we can, we’ll seek to prevent any legislation that will be negative for brokers before it is too far down the road.”

Valuing BIBA

Bob Hollamby is a director of Griffiths & Armour, which was established in Liverpool in 1934. A London office was set up in 1989 and currently specialises in professional indemnity and contingency risks.

Bob joined the firm in 1992 and comments: “I’ve had many years experience in the London Market – I first starting working in it in 1974 – nowhere else has the same concentration of expertise and companies.”

He says: “The London Market is, by its nature, a highly concentrated pool of human talent and diverse ideas. Brokers can tap into that pool to provide solutions to the most complex of challenges. BIBA and the London Market Brokers’ Committee (LMBC) can play a major part in providing significant technical and regulatory support for the broker particularly where more innovative solutions are required.”

So, what has he found most useful?

“Our membership of BIBA and our involvement with its LMBC has been invaluable to us not only as a resource for technical and regulatory support and information, but as a powerful voice in promoting the interests of our industry at FSA and Government level.”

He points out: “External regulation can sometimes be over exuberant and market solutions have proved to be the more satisfactory way to meet the operational issues facing our industry. Without the cohesion of trade associations, however, it is unclear whether competing brokers would reach a timely consensus. Contract certainty was correctly dealt with as a market solution and has proven to be a successful initiative – BIBA played a role in lobbying for this.”

Griffiths & Armour’s involvement with BIBA is long-standing. “It dates back to 1977, we still have the original invoice to prove it! Our involvement with LMBC dates back to 1992.”

He encourages other City brokers to work with BIBA. “I think it’s important to give something back and while it is sometimes difficult to find the time, I believe it is essential to make time for our trade associations and professional bodies who, after all, exist not for their own benefit, but for the benefit of their members.”



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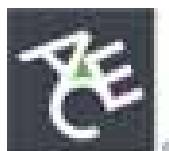
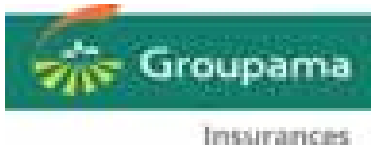
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BIBA PARTNERS





Glyn Rowett, managing director of Rowett Insurance, gives the inside story on his business

How did you start the business?

I established the company in 1985. I lived next door to a local broker and fell into a job with him. After gaining experience, I ventured out on my own and have never looked back. I started with one other individual in a small office and we now have three branches with a staff of 24, including a young and motivated management team.

As I see an ever increasing tide of brokers giving up their independence, often by selling up or to direct operators with faceless call centres overseas, I am even more determined to remain independent and provide a quality local service. I often raise a smile on arrival at industry events as the 'Cornish broker' who is staying close to the roots I'm so proud of.

You are also a life and pensions adviser, did this help when FSA also regulated general insurance?

Our previous experience of FSA regulation took away some of the fear of the unknown. The application process itself was simplified, as we were already authorised and already had various background structures and processes in place to encompass the general insurance requirements.

What was the best piece of business advice anyone ever gave to you?

Don't be the one to say 'I was thinking of doing that' – I would much prefer to be the one that's gone and done it, and this has encouraged me to perhaps take some risks that otherwise I may not have taken.

So, apart from following gut instinct, I would mention my uncle who was a good businessman and someone I really looked up to. Many years ago, he showed me a windmill he had built, designed to generate electricity via large batteries in his garden. Sadly, he did not live to develop the idea, but his memory has had a strong impact on me.

Why did you join network Westinsure?

I joined in 2005, after Towergate acquired two of the largest brokerages in Cornwall. The pressures of trying to maintain my status as a sole trader against such competition made the prospect more attractive and I became a board member of Westinsure.

Westinsure is now handling some £250 million in turnover, with 150 members and an operating profit of £680,000 in the last financial year – an increase of over £500,000 on the previous year.

Member brokers are able to maintain

their independence and identity. Brokers handle their own insurer accounts and the group is more akin to a club or an alliance than a traditional network. I value independence, but needed to be part of something bigger for insurer negotiations and defence against the consolidators.

We enjoy premier status and enhanced commissions with many insurers, and benefit from other provisions such as compliance support – all for a relatively low membership cost.

What were the best and worst decisions you've ever made in terms of the business?

Key to the development of the business was moving to a more prime location back in the 1980s, and spotting the opportunity to administer a scheme for the local china clay worker.

Decisions regarding investment in technology must be among the best I've made – and I have at times invested against the advice of others – online and full-cycle trading have proved to be the way forward.

In terms of business, perhaps staying in Cornwall was not the best decision as there is more money to be made elsewhere. However, it is my best decision on a personal level, simply for the quality of life here.

In terms of worst decisions, there are too many to mention – some would say taking up golf! Luckily, the good have outweighed the bad.

How long has Rowett Insurance been a BIBA member?

For more than 20 years. Apart from the representation and invaluable technical support that we have often relied upon, we value meetings and conferences. Located as we are away from the country's business centres, the annual BIBA conference and events provide a fantastic opportunity to get among industry counterparts. We are blessed with a hard-working West Country BIBA team based in Bristol, whom we are grateful to for organising events to keep us in touch with up-to-date events in the market. Some of my longest-standing friends and contacts were those made at those events.

How do you switch off?

My golf addiction is well known in local circles, but apart from that, I'm kept busy as the manager of my home town football club, St Austell, as well as being an active member of the local Rotary Club and researching local history.

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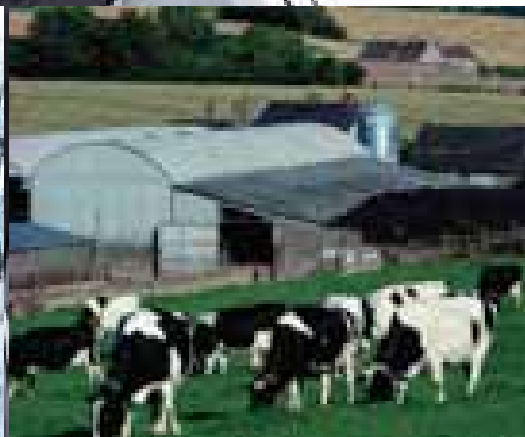
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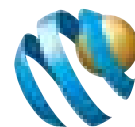
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