Summer 2010
Issue 41

British Insurance Brokers' Association

The Broker

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Contents

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Welcome

Leighann Burtrand
Editor of *The Broker*

Everyone likes quick wins, but there can also be a huge amount of satisfaction when a long campaign finally achieves the right result.

BIBA was involved in advising on policy for the 2010 Equality Act and provided ministers and civil servants with both guidance on why insurance needed to be an exemption to the law, and also on why there was scope to provide consumers with easier access to insurance from a broker.

As a result, it was agreed that risk-based pricing could remain, but we also have government support that consumers should now be given details of a signposting service. As our feature on page 12 shows, BIBA is already providing a signposting service both via our website and through a dedicated call centre.

When we see a negative press report of an older traveller being turned down it reflects badly on the whole insurance industry. We are now confident that this is going to become far less of a problem in the future.

Another major success is the arrival of electronic motor certificates – again we were in talks with the Department for Transport for five years. Finally, the government agreed. Likewise, the continuous insurance enforcement scheme has been a couple of years coming, but this tougher regime, which will soon be introduced, is hugely welcome. All three are well worth the wait.

Inside Summer 2010

10

14

18

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Viewpoint

Chief Executive Eric Galbraith

New coalition Government – opportunity for change

We have now heard that insurance brokers are set to fall under the remit of the new Consumer Protection and Markets Authority. We have been in close communication with Treasury Secretary Mark Hoban MP about the need for proportionate regulation for our sector and look forward to contributing to the consultation process as the new regulator is established.

With the new coalition Government bedding in, BIBA has already announced that one of our priorities will be to launch a major lobbying campaign to explain the role of brokers and to achieve a far more appropriate and cost-effective regulatory regime.

There is a lot of work to do in this area. I am certainly not alone in feeling we cannot go on having far too many politicians both at national and local levels thinking insurance is simply a part of wider financial services and therefore that we pose similar risks to banks.

This is not just a UK problem. Colleagues in Europe and elsewhere have said there remains a lack of understanding amongst policy makers. And the Geneva Association, an international think-tank of European insurance companies which focuses on risk and economics, has emphasised it does not believe insurance poses a systemic risk. The last thing we want is even more cost added onto insurers or brokers as a result of any perceived risk.

Our other mission is to continue the work we have been doing with the previous government on signposting. The Equalities Bill is now law, but we need to ensure as much as possible is done to put in place a co-ordinated effort from all those providing insurance. Unfortunately Personal Lines has become an increasingly remote and commoditised way of doing business and, as a result, thousands of people feel disenfranchised because they are told they cannot buy insurance. This could be for pre-existing health conditions or other reasons. Our Find a Broker service, whether online or through our contact centre, means that almost all needs can now be accommodated – and we will work hard to get that message across.

The market is not broken; we need to ensure that consumers understand that brokers can arrange this cover for them.

This year's conference – it may be over, but memories live on

May I thank all the BIBA members who attended this year's conference, Professionalism in a Changing World, along with our many exhibitors and, of course, our sponsors.

Attendance was phenomenal, with more than 2,300 brokers in total and we have received some excellent feedback. All in all, I was delighted with the event and there were numerous highlights. In particular, Joe Plumeri, Chairman and CEO of Willis Group, stood out for me. It was clear he had put a huge amount of work into his presentation, but it was way beyond informative. Energy, integrity and sheer passion for the insurance sector were at the heart of it.

If you were at the conference and would like to make any comment – constructive criticism included – then please let me know. But, for all the good times we had, it is now business as usual.

Signposting Local heroes

Finally, just a word to say that the team at BIBA recently enjoyed a farewell drink with our former Membership Manager Paul Garland who has done a sterling job for us over the years. Paul has now taken retirement and his position has been filled by the exceptionally able Kirsty Wingrove. Many members will already know Kirsty and she is on hand to deal with any membership queries you may have.

One of the key objectives of our business plan is to do as much as possible in terms of regional engagement. I've plenty of travelling to do in the coming months – as have my colleagues. So keep an eye on our website for details.

Government announces overhaul of the regulatory architecture

The Government has announced changes to the UK's regulatory architecture which will come into effect by 2012. The Bank of England (BoE) will gain back power over macro-prudential judgments and it will also be responsible for oversight of micro-prudential regulation. As a result, the Financial Services Authority (FSA) will cease to exist in its current form, and instead a new prudential regulator will be created, which will be a subsidiary of the BoE. It will be called the Prudential Regulatory Authority (PRA). This body will carry out the prudential regulation of financial firms, including banks, investment banks, building societies and insurance companies.

The Government will also create an independent Financial Policy Committee (FPC) at the BoE, which will have the tools and the responsibility to look across the economy at the macro issues that may threaten economic and financial stability and take effective action in response.

A Consumer Protection and Markets Authority (CPMA) will also be established, which will regulate the conduct of every authorised financial firm providing services to consumers. It will also be responsible for ensuring the good conduct of business in the UK's retail and wholesale financial services. At the time of going to print, it appears that brokers and intermediaries will be regulated by CPMA which will regulate all firms, including those who are prudentially regulated by the PRA.

Eric Galbraith, BIBA's Chief Executive, said: "BIBA has engaged with Mark Hoban MP, Financial Secretary to the Treasury, during his time as the Conservative Shadow Minister and we are pleased that our concerns over splitting the regulation for our sector have been taken on board.

"BIBA will be looking to play a key part in the consultation process and actively encourages its members to lend their voice. We will be lobbying for the most appropriate and proportionate level of regulation for our sector.

"The authorities must ensure that, in any change to the regulatory architecture for the insurance intermediary sector, they do not lose sight of the fact that UK intermediaries currently face a level of fees and levies that are totally out of line with the rest of Europe."

The Bank of England will once again have power over macro-prudential judgments

Hike in FSCS fees

The FSA's annual fees and levy demand letters are now hitting brokers' desks. One member reported that their Financial Services Compensation Scheme (FSCS) contribution had skyrocketed, increasing eight-fold since last year from £4,300 to £34,600. The FSCS component of these invoices demonstrates everything BIBA has been saying about the unfairness of the funding model. Our concern is that the fees and funding model is fundamentally wrong. Brokers who present no systemic risk now face huge increases because they are being penalised for compensation in product areas that are not typically sold by insurance brokers.

The FSA is currently undergoing a fundamental review of the FSCS funding model. BIBA is playing an active role at this stage of the review and will be encouraging members to do likewise in the consultation process that is expected to commence late in 2010.

New recruitment section targets the right people

BIBA has launched a new recruitment section on its website.

A wide range of positions are available at all levels. Communications Manager Leighann Burtrand comments: "We're delighted with the response from brokers – only a few weeks after its launch, we had received over 1,000 views. We are asking for a small contribution for each posting, but it is vastly cheaper than the fees charged by most head-hunters and recruitment consultants."

She continues: "We've received some great feedback about the calibre of applicants – who can also sign up to receive monthly alerts via email."

Manchester here we come

Next year's BIBA Conference will be held at Manchester Central on 11 and 12 May 2011. Chief Executive Eric Galbraith commented: "I know that for many members Manchester is a favoured venue because of its central location, the superb facilities on offer at the venue and the choice of accommodation. There is also always a special atmosphere because many members stay over and so can network late into the evening. We will be announcing the theme in the coming months."

Outstanding conference draws the crowds

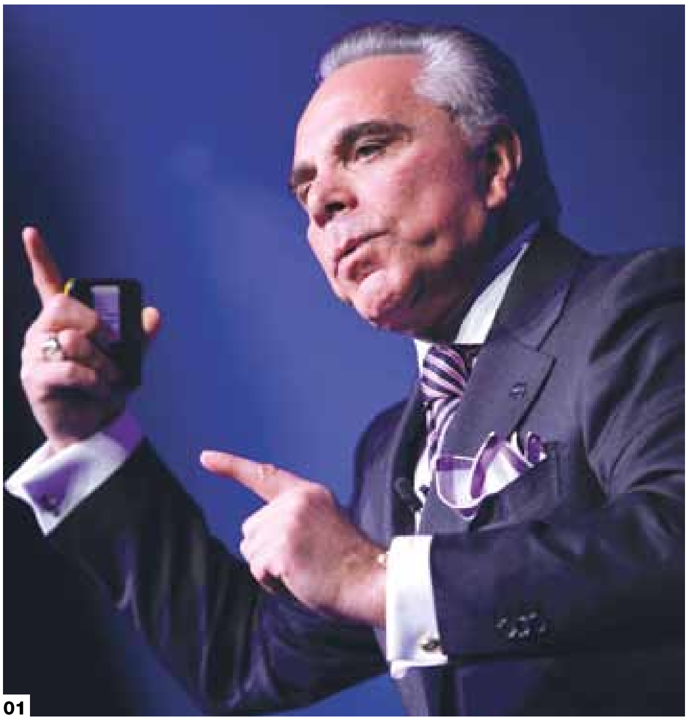
It was another record-breaker. This year's two-day BIBA conference, Professionalism in a Changing World, attracted the highest ever number of attendees – some 2,300 brokers/intermediaries and over 4,000 attendees in total.

Held at London's ExCeL centre, the packed programme contained many highlights, mixing a hard-hitting business agenda with many lighter moments and plenty of networking.

Chief Executive Eric Galbraith used the occasion to announce BIBA's major new lobbying campaign to promote the role of the broker within the coalition Government. He called on all members to get behind this, saying there was an urgent need for the Government to introduce "the right regulation and the right supervision at the right cost".

In terms of keynote speakers, delegates were mesmerised by a presentation from Willis Group's Chief Executive, Joe Plumeri, who also called for government action over regulation.

A team of heavyweights took to the stage for the Changing World debate, comprising: Robert Brown, CEO, Aon; Peter Cullum, Executive Chairman, Towergate; Phillip Hodson, CEO, Oval Group; Sandy Scott, CEO, CII and Richard Ward, CEO, Lloyd's. The debate was chaired by Jonathan Dimbleby.


01

01 Joe Plumeri, Chief Executive, Willis Group
02 Panel speakers on stage taking questions
03 The conference's award winners: L to R; Katie Dudgeon, Victoria Parry and Sharon Snoddy

TV motor pundit Quentin Willson, who chaired the credit hire debate, told insurers: "Credit hire is your problem and you will have to resolve it yourselves. So accident management companies, insurers and brokers have to get together and do something to self-regulate this."

Other seminars included one on the phenomena of social networking, which guided brokers through massively popular sites such as Facebook, Twitter and LinkedIn.

A further seminar, Professionalism in Focus, featured Allianz Commercial General Manager and CII Deputy President Chris Hanks, along with Lockton's Chief Executive Officer, Julian James, Stuart Reid, Chief Executive Officer of Bluefin and David Slade, Founder and Non-Executive Director of Perkins Slade. This looked at what the insurance industry needs to do to raise its appeal to top-flight recruits and boost standards within the existing workforce.

Along with insurance luminaries, there were celebrities aplenty at the conference, including BBC foreign correspondent John Simpson and charismatic actress Joanna Lumley who was interviewed by Jonathan Dimbleby.

And the winners are...

A number of important awards were announced at the conference.

The Young Broker of the Year Award went to Victoria Parry of Norwich brokers Hugh J Boswell, who was recognised for her outstanding achievement for the firm and her passion to win business and help growth.

Katie Dudgeon of One Call and Sharon Snoddy of Autoline were named as finalists in the competition. Patrick Smith was on hand to present the awards.

Patrick also stepped up to present the Francis Perkins Award to a well-known face in the broking sector – Mike Cowburn of Towergate. This award, named after BIBA's first chairman, recognises members that have "given exceptionally of their time and energy" to further the Association.


02


03

As we approach the halfway mark in the year, **Leighann Burtrand** reports that BIBA has been exceptionally busy

It has been great to see a number of major campaigning issues progressing so successfully, including signposting (where BIBA provides details of brokers with expertise of non-standard cover), continuous insurance enforcement (to reduce uninsured driving) and a reduction in the scope of insurance premium tax.

There is particular satisfaction in that electronic motor insurance certificates are now permissible – something that has been a priority for our Motor Panel and we have campaigned for over five years. Our Technical team had numerous meetings with ministers and the Department for Transport and finally, at the end of April, it was announced that new regulations would become law.

Where a customer agrees to electronic delivery, a certificate can be issued as an email attachment or accessed via a website. It will allow cost and efficiency savings, speed and, of course, a positive environmental impact. Electronic delivery is expected to save the industry in excess of £11 million and cut the current 40 million hard copy certificates that are printed and posted each year, saving some 9,750 trees each year. A full BIBA technical briefing is available on the website.

We have also just assessed our coverage and number of press-related queries and the past quarter has been our busiest period for 10 years. Whether prime-time TV, local radio or the trade press, we have promoted brokers on a range of subjects.

Here is an overview of other recent activity:

Government

- Responded to the Department for Work and Pensions consultation paper on supporting people who need to trace employers' liability insurance
- Met with Business Innovation and Skills (BIS) to discuss trade credit insurance
- Responded to the Government Equality Office on issues relating to young and older drivers insuring rental/leased vehicles
- Progressed Continuous Insurance Enforcement with the DVLA and the MIB
- Met with Department for Work and Pensions to discuss the employers' liability tracing code
- Achieved a significant reduction in scope to the final legislation for insurance premium tax compared to the original text in the Pre-Budget Report.
- Met with Treasury and HMRC on a number of issues
- Presented to the insurance All Party Parliamentary Group
- Launched new lobbying campaign with coalition Government.

Regulation

- Met twice with the FSA to discuss the fundamental review of the FSCS
- Met with the FSCS to review current claims/levy
- Met with Lloyd's international regulatory team to discuss topical compliance issues
- Engaged with Mark Hoban, Financial Secretary to Treasury, including hosting dinner with senior broking figures.

Europe

- Attended BIPAR (the European Federation of Insurance Intermediaries) Directors' Committee meeting in Stockholm to represent UK brokers in Europe.

Working with others

- Met with the Chief Executive of the Law Society to discuss professional indemnity insurance
- Outlined specific areas of concern to Grant Thornton, administrators of Quinn Insurance
- Met with private medical insurance companies, together with AMII, to discuss industry issues
- Partnered with Aviva to promote the role of brokers by linking to BIBA's 'Find a Broker' telephone line.

In the regions and at BIBA HQ

- Held London Market Region Committee quarterly meeting
- Held Compliance Forums in Bristol, East Anglia, London, Manchester, Leeds and West Midlands
- Met with the Lloyd's Market Association to discuss issues relevant to London market members.

Leighann Burtrand is BIBA's Communications Manager

Volcanic ash travel crisis – shedding light as the cloud spread

BIBA immediately identified this as an opportunity to become involved regarding the travel insurance elements. A press statement was issued quickly to establish BIBA as a key commentator on the subject. We were also the first to clarify that the BIBA Protect policy would be covering claims for existing policyholders.

This allowed us to position ourselves, and brokers, as agents of the client and on the consumer's side. We played a key role in clarifying the position which was confusing for travellers. We were also able to promote BIBA's Protect travel policy sold by members, and more broadly the need for suitable insurance protection. Coverage included Sky News, BBC Radio Five live, BBC Radio 4, BBC TV and local radio, *Financial Times, The Wall Street Journal, The Guardian, Sunday Telegraph, Sunday Express* and *the Herald*.

We also spoke to the Foreign & Commonwealth Office, HM Treasury, FSA, FOS and the ABI on the eruption.

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The Rt Hon Philip Hammond MP,
The Rt Hon Theresa May MP


The Rt Hon Oliver Letwin MP,
The Rt Hon William Hague MP and
The Rt Hon George Osbourne MP

All change at Westminster

A new coalition Government is in charge meaning a different structure, a shift in priorities and plenty of new faces for BIBA to get to know. **Julie Harris** provides an overview of what this means


The Rt Hon Nick Clegg MP,
The Rt Hon David Cameron MP

The General Election has resulted in the first formal coalition Government since 1945. This is an unprecedented upheaval in modern UK politics, heralded as a new progressive partnership – with the national interest at its heart.

The new Government is a full coalition, with five Liberal Democrat Cabinet Ministers and a Liberal Democrat minister in each Department of State.The need for agreement between coalition partners on complex policy where they do not necessarily share objectives means that politics and policy making will become less predictable and more susceptible to other influences. This has important implications for the insurance and wider financial services industry.

The Queen's Speech on 25 May announced a list of 24 Bills, with the emphasis on reducing the structural deficit and restoring economic growth. Changes to the financial regulatory architecture, to be introduced through the Financial Services Regulation Bill, were more recently confirmed by the Chancellor in his Mansion House Speech. The Bank of England gains control of macro-prudential regulation and oversight of micro-prudential regulation and, as noted elsewhere in this edition of *The Broker*, there


The Rt Hon Kenneth Clarke QC MP,
The Rt Hon Iain Duncan Smith MP


The Rt Hon The
Baroness Wasri PC


The Rt Hon
Andrew Mitchell MP

will be extensive changes to the Financial Services Authority. In addition, a powerful new Consumer Protection and Markets Authority will be established to regulate the conduct of every authorised financial firm providing services to consumers.

Financial services were also a feature of the first Conservative-led Budget in 13 years on 22 June. Describing the Budget as "tough but fair", Chancellor of the Exchequer, George Osborne, said that the state now accounted for "almost half" of all national income. Commenting that this situation was "completely unsustainable", he announced a series of spending cuts and tax rises designed to eliminate the deficit within five years. More difficult decisions on Departmental budgets will follow in the Spending Review this October.

Key Budget measures included the introduction of a bank levy from January 2011, expected to generate over £2 billion of annual


The Rt Hon Jeremy Hunt MP


The Rt Hon Michael Gove MP

The Rt Hon Michael Moore MP


The Rt Hon Owen Paterson MP


The Rt Hon The Lord Strathclyde PC


The Rt Hon Cheryl Gillan MP


The Rt Hon Eric Pickles MP, The Rt Hon Caroline Spelman MP and The Rt Hon Andrew Lansley CBE MP

revenues, with further details to be published later this year. While concessions for business include the reduction in Corporation Tax by four per cent to 24 per cent over four years, an important focus for brokers will be the increase in Insurance Premium Tax from 4 January 2011 to six per cent at the standard rate and from 17.5 per cent to 20 per cent at the higher rate. The Budget also included the news that the Government has asked the Consumer Financial Education Body to develop a new annual family financial healthcheck. This will be introduced in spring 2011 as part of the national financial advice service.

On regulation, a coalition commitment to cut red tape by introducing a 'one-in, one-out rule' whereby no new regulation is brought in without another regulation being cut by a greater amount seems to endorse BIBA's calls for appropriate and proportionate regulation. There is also an aspiration to put an end to the culture of 'tick-box' regulation and instead target inspections on high-risk organisations through co-regulation and improving professional standards. Of equal interest are the proposals to impose 'sunset clauses' on regulations to ensure that each regulation is regularly reviewed and also to end the 'gold-plating' of EU rules, so that British businesses are not disadvantaged relative to European competitors.

One notable difference to the new environment is that Parliament itself is a very different place. Out of 650 MPs, 232 are newly elected, around one-third of the House of Commons, and representing the largest intake of new MPs since 1997. Many are younger, they are more diverse and with a slight increase in the number of women MPs over the 2005 intake. Some 10 per cent of the total members of the House of Commons come with a background in financial services.

The full breakdown of seats is: 306 Conservative; 257 Labour; 57 Liberal Democrats; 6 Scottish National Party; 3 Plaid Cymru and 20 others. This gives the coalition an overall majority of 37, a comfortable working majority to secure the passage of the Government's legislative programme.

BIBA's plans for engagement with this new policy and parliamentary environment are already under way. The immediate focus is on building awareness and understanding of broker views on key issues, including regulation and signposting. The likely retrenchment of the State from certain areas of activity could open up wider opportunities for the private sector, including insurance and financial services. BIBA is well placed to help shape the changing regulatory environment in which brokers are working.

Julie Harris is a Director of communications and public affairs consultancy, Fleishman-Hillard

Key players

Rt Hon George Osborne MP
Chancellor of the Exchequer
– Osborne was a special adviser in the Ministry of Agriculture, before moving to the Political Office at 10 Downing Street
– Currently has overall responsibility for the Treasury

Rt Hon Vince Cable MP (Liberal Democrat)
Secretary of State for Business, Innovation and Skills
– Former Chief Economist at Shell
– Widely feared in the City - he is thought to have a very hard-line approach to financial regulation

Mark Hoban MP
Financial Secretary to the Treasury
– Former accountant at PWC
– Remit includes: banking and financial services reform and regulation, financial stability, city competitiveness, Europe and internationally and the FSA
– Shadow Minister to the Treasury prior to the General Election and very familiar with issues affecting the City

Mark Prisk MP
Minister for Business and Enterprise
– Qualified Chartered Surveyor running his own business for ten years
– Current Remit includes: business sectors, deregulation and better regulation, business support
– Served on the Conservative front bench from 2002, covering Treasury and Business portfolios

Mike Penning MP Minister for Roads
– Member of the British Army, serving in the Grenadier Guards, and subsequently worked as a firefighter before going into the family business. He later became a political journalist
– Current remit includes road safety and standards, strategic roads and Highways Agency
– Previously Shadow Minister for Health

Richard Benyon MP Minister for Natural Environment and Fisheries
– Mr Benyon is a former soldier and is a founder Trustee of the charity Help for Heroes
– Current responsibilities include the natural environment, biodiversity, flooding and water, inland waterways, land management, rural affairs, coastal erosion
– Previously Party Whip and a member of the Home Affairs Select Committee

Danny Alexander MP
Chief Secretary to the Treasury
– Mr Alexander joined the Liberal Democrat Party in 1993 and went straight to work as a press officer for the Scottish Liberal Democrats
– Current responsibilities include spending reviews and strategic planning; in-year spending control; public sector pay and pensions; Annually Managed Expenditure (AME) and welfare reform; efficiency and value for money in public service; procurement; and capital investment
– Previously Chief of Staff to Nick Clegg and holds a number of positions on the new Cabinet Committees

Signposting to brokers

BIBA's long-term lobbying has shaped a solution that should benefit consumers and brokers alike as **Rachel Gordon** reports

This April, the Equality Bill received royal assent, resulting in a mix of existing laws being brought into a far wider piece of legislation. Its aims are to end discrimination in employment and allow equal access to private and public services. So, where does insurance fit in?

Notably, after months of negotiation between the Government, BIBA, consumer groups and insurers, it was agreed there would be an insurance exemption to the Equality Act.

Insurers will still be able to vary prices by age, but this will now be fairer and more proportionate. They cannot make arbitrary decisions and if tested in court will have to produce data to show pricing rationale. Most importantly, if they are unable to help, then they must also operate a referral system to an alternative provider or signposting scheme.

Make contact

BIBA made it clear it could provide the signposting scheme, via both its Find a Broker website or call centre, whereby consumers would be supplied with contact details of a relevant broker.

BIBA's Technical and Corporate Affairs Executive, Graeme Trudgill was involved in the Government negotiations from the start – which took place over four years – and continues to sit on the HM Treasury signposting steering group.

Signposting means insurers who don't want to insure a particular risk must signpost the customer to someone that can. This is where BIBA can add value and help. He explains there were strong arguments – in particular from charities who help the elderly – to outlaw risk-based pricing altogether.

"The Government was presented with evidence that showed some customers were being hit with what was arguably unfair pricing. For example, their premium doubled from when they were 64 to 65. This did not occur in every case, but they argued there was market failure.

"There were arguments for both sides. Banning age as an underwriting factor goes against what insurance is about – it would also mean those who were lower risk could be hit with huge increases. On the other hand, we could see room for improvement." The problem was compounded by the fact that the move to internet sales meant often no advice was available.

Graeme adds: "BIBA had to convince the government that BIBA brokers were the solution; they are the agent of the client and want to find the best solution. So we spent time explaining what brokers did and the high standards of professionalism and range of products offered by BIBA members."

How Signposting works

BIBA's dedicated call centre passes on details of brokers to consumers. "We already receive over 340,000 enquiries a year to our call centre and website and numbers are rising," explains Kirsty. "Members should make sure BIBA is aware of any specialist products they sell so that this can be entered on the website. We also pass on telephone leads to brokers who have asked to participate – and they make a small contribution towards the costs of the call centre."

Kirsty adds: "Our service is more than just a call centre. We know our members and ensure the customer gets the most appropriate broker by contacting the broker while the customer is on the phone."

BIBA has more than 200 organisations referring customers to the service, including the Citizens Advice Bureau, Consumer body Which? and government departments.

Business insurance customers are also being referred through insurer Aviva – which has 'white-labelled' BIBA's Find a Broker website.

This means member data is available via the Aviva website – and Aviva is also now passing on the BIBA call centre details. Kirsty comments: "Aviva succeeded last year with its TV advertising for SME cover and the benefits of using a broker, driving more business to our members. A new radio campaign is coming and I'd urge members to ensure their details are correct on our Find a Broker site. I t's a great way to win more business."

Travelling Uninsured

Dan Moore of *Which*?, who is on the Treasury Signposting group, said: “It is a concern when people are turned away by an insurer because they may have a health condition or be older. This increases the likelihood of travelling uninsured, for example, or paying over the odds if someone is not made aware of alternatives. We welcome changes that will require insurance providers to ‘signpost’ consumers to appropriate providers or a central resource – and as awareness grows, hope that more competition will lead to better deals for everyone who does not fit into a ‘standard’ box.”

Meanwhile, Kirsty Wingrove, BIBA’s Membership Manager, explains there are plenty of members who can service a range of customers, including those who are older, have health problems or other issues, such as young drivers or even have convictions. “Our members aim is to help customers, rather than telling someone they do not fit into a particular box.”

Once BIBA had spoken to the government about signposting, it launched a campaign to increase awareness among the media, regulator and consumer groups. Details of the proposition were also outlined in BIBA’s Manifesto.

Fairness

Then, in May 2009 the government announced it supported BIBA’s signposting solution. This was after a thorough investigation of the options by the Government Equalities Office, which also launched a report (by Oxera) to investigate the market. As Graeme says: “It ensures fairness, but also does not force insurers to cover areas they have no experience in.”

While final details will be announced later this year (BIBA is in negotiation with the Government), it is understood if an insurance provider fails to give details of either an alternative provider or a signposting scheme, that this is a breach of the prohibition on discrimination – and could mean a claim for damages.

Meantime in Europe BIBA has also been providing guidance for the proposed Equal Treatment Directive.

Graeme comments: “We understand the Equal Treatment Directive will be a priority for the presidency and we want to ensure that relevant ministers are fully informed about what could work in Europe. We have provided full details of our experience – and will be working with European broker body BIPAR – to progress this.”

Members’ expertise

It may surprise some, but there are around seven million people with a conviction in the UK ranging from fines to jail sentences, and that can often affect their insurance needs, explains David Adams, Director of BIBA member, Culpeck Insurance Services.

His company provides the Lloyd’s-underwritten Fresh Start facility on a delegated authority basis, which provides household, commercial and landlord’s buildings insurance to those who have had a conviction.

David adds: “Convictions do not just concern the policyholder. They also impact on the family – and as such, any standard household cover may be voided.”

“We can cover around 95 per cent of convictions. We provide a discreet and professional service. Many people have questions, including when their conviction will be ‘spent’ under the Rehabilitation of Offenders Act.

Higos Insurance Services is among BIBA’s providers of non-standard travel cover, including pre-existing medical conditions, long stays and cover for work abroad, along with many others.

Marketing Manager Neil Wyatt says: “Many people think they can simply use Tesco Insurance and buy cover. Or, they may also be told they can buy insurance and have their condition excluded. In many cases we can offer affordable terms through our scheme, which is underwritten by Tokio Marine, and they have the reassurance that an existing condition is covered when they are away.”

Under pressure

Prudence is the watchword for many brokers as they seek to minimise expenditure and prepare for hopefully better times as **Ralph Savage** discovers

Brokers do not need reminding that money is tight. Many, along with the Government, will have been looking closely at their budgets. And while they will not be approaching the £6.25 billion outlined by the new Treasury, no doubt implementing savings will be a high priority.

So, what are the main financial pressures facing brokers and how should they respond?

Brokers received something of a stay of execution earlier this year when the Financial Services Compensation Scheme chose to defer its multimillion-pound levy increase until 2010/11.

The general consensus is that the cost of being a broker has rarely been so high. This has been highlighted by the FSA's annual fees and levy demand letters that hit brokers' desks in June.

A recession means having to take a long, hard look at a business and, at times, make some tough decisions. Richard Benson is Director of Bensons, an East Midlands-based firm which specialises in professional risks. "Although our numbers have remained broadly flat in the last 12 months, one of our business lines was adversely affected and it prompted us to look carefully at the portfolio from an overall strategic point of view," he says.

"We did make some non-essential spending cuts, looking at the reality of what our income was going to be like and decided that we had been carrying too many staff so we had to make a few redundancies."

Human costs

Richard's comment is telling simply because everywhere you look, brokers will agree that human resources are the greatest cost burden to the sector. Mark Grice, head of the broking group at Mazars, adds: "With any broker the biggest costs they tend to have are people costs; it's difficult to keep your margins up and HR costs don't move fast enough sometimes when you are losing income."

For Simon Mabb, Managing Director at Leeds-based Romero Insurance Brokers, the juggling act has been a careful one between giving good recruits the remuneration they deserve and persuading them of the realities that currently affect the market. "When we have replaced staff, we have been looking for value for money and this can come in the form of negotiations on benefits as well as salary. During the good times, many firms have

> "When we have replaced staff, we have been looking for value for money and this can come in the form of negotiations on benefits as well as salary"

thrown in healthcare and significant pension contributions which are all hidden costs to the business. We traditionally pay a 5 per cent pension contribution so there has been room for negotiation in this area as people are fairly realistic at the moment. They know if they do well they will still be rewarded."

Ali Foroshani, a consultant with head-hunters Joslin Rowe, comments: "It's tough at the moment; there is so much competition for jobs. There are a lot of good people out there and they need to be realistic when it comes to salaries – simply moving elsewhere may not mean a pay increase. For employers, however, this does mean they can keep a much tighter rein on what they are paying out."

Reducing motor spend

Simon points out that brokers may well also need to look at their motoring costs. "The cost of fuel has impacted us," he says. "I know that personally from filling the car up and from our two businesses there are 23 cars doing two or three tanks a week. We are really tackling this by working much smarter and have actively grouped our appointments so that the mileage incurred is more manageable. It's essential to maintain that face-to-face approach."

Very often sold with efficiency in mind, technology has also become a real issue for brokers according to Mark at Mazars. He says that during periods of belt tightening, IT investment has had to be made carefully.

"IT systems are expensive animals which get out of date fairly quickly and it's a balance between getting the right level of output and value from your IT systems without bankrupting yourself spending too much on the next innovation round the corner," he explains. "For a lot of brokers it is fairly simple in that they have to push information to their underwriters and avoid duplication; if that burden can be reduced then brokers will maintain a good level of control."

> "I've almost forgotten what it was like not to be regulated; when you look at it from a cost perspective it's very difficult to pin down the true cost of compliance"

Despite all the speculation about the future of regulation, brokers seem to have accepted and moved on in a world where compliance influences every aspect of their business.

Richard says: "I've almost forgotten what it was like not to be regulated; when you look at it from a cost perspective it's very difficult to pin down the true cost of compliance. Fees, levies and so on are tangible, but it's rare for a week or a day to go by when a compliance issue doesn't raise its head."

There clearly is no straight answer to the question of how much does it cost to run a broker today. Terence Clark, senior consultant with RWA Group, illustrates that point by the fact that direct costs outside of buildings, people and cars, namely FSA, FOS and FSCS fees, are linked to turnover. "At the very least, the registration fee will be £1,000 and large brokers with £4-£5m of income will be looking at anywhere up to £40,000 per annum."

Managing compliance

However, Simon takes some comfort in the fact that even a broker of Romero's size has yet to employ a full-time compliance consultant. "You can't do very much about regulatory and compliance costs; they are more like taxes than anything," he explains. "We've never had a full-time compliance person and I would feel that if we had one, the pressure we are under to put people in a customer facing role, you would really struggle to justify the cost of keeping this in house. We are a business of 50+ and we use a consultancy that visits every other week, helping with the key issues. I can't see the point in bringing this in house even if we were double the size."

While being a member of a network provides a range of intangible benefits to Bensons, they also value trade association membership. Richard says BIBA's technical guidance, and interpretation of regulatory changes, are very useful. "I've attended quite a few BIBA seminars on this and, while we get most of our assistance from The Broker Network, it's great to have this resource available. For example I've just been furnished with information on new interpretations of limitations in liability clauses, which is a great example of how the association helps improve knowledge and general training. I increasingly see BIBA's role as one of educating brokers and to improve the quality of the profession but also to educate the public on their value."

Nick Houghton, Managing Director of the Broker Network adds that BIBA's role in forcing back the proposed changes in Insurance Premium Tax this spring revealed another string to its bow. "In many ways it is getting more expensive to run a broker and, while we can provide our network members with a lot of support, BIBA's influence in that situation was vital, helping to keep our costs down."

What's in a

Brokers are increasingly taking a more consultative approach when it comes to working with clients but care must be taken to ensure additional services are provided by bona fide experts, advises **Edward Murray**

Advertising slogans stick to the soles of our memory banks like chewing gum and none has been more effective than Ronseal's no nonsense statement: "It does exactly what it says on the tin."

Insurance broking has always been a bit of a Ronseal profession, with practitioners placing insurance for clients just as the name suggests. However, it seems that a growing number of firms are no longer content to operate purely as transactional brokers and are seeking to bind themselves closer to clients by offering a broader range of professional services and in particular risk management consultancy.

John Hurrell, Chief Executive at the Association of Insurance and Risk Managers (AIRMIC), has noted this trend and he says: "My view is that this is in recognition of the wider role played by brokers these days, driven by the need to differentiate themselves from purely transactional competitors. At the same time I think they are trying to maintain and grow their income streams."

John says brokers have had to respond to client demands and in many cases extend the range of services they offer and he adds: "AIRMIC members tell us that they look to their brokers to add more and more service, in many cases way beyond the purely transactional."

Carolyn Williams, head of thought leadership at The Institute of Risk Management (IRM), agrees and she accepts that brokers can use risk management as a way to broaden their scope of services and add value for their clients.

Similarly she believes clients increasingly understand the need for good risk management and she says: "Clients are becoming more knowledgeable about risk management and know that insurance, although important, is not the full answer to their risk problems. The insurance broker is in a unique position to develop the relationship with the client to offer broader risk services and many take advantage of this by building the risk management skills of their client-facing staff."

> "AIRMIC members tell us that they look to their brokers to add more and more service, in many cases way beyond the purely transactional"

Many of the bigger brokers have already developed significant in-house capabilities to deliver these services to clients and the likes of Aon, Marsh and JLT all have dedicated divisions specialising in this area.

However, this is one of three reasons that Peter Staddon, head of technical services at BIBA, believes that smaller brokers should also look to provide risk management consultancy to clients.

He says: "In the first instance, offering risk management services stops larger brokers coming in and winning clients over because they are able to offer it alongside the insurance placement. It also boxes off the possibility of errors and omissions for the broker and provides a valuable service to the client that will help identify exposures that had, perhaps, previously gone unnoticed."

However, where brokers provide risk management services, Peter says they must take the time to develop their proposition so that they can do so competently and make sure they are providing a compliant and comprehensive proposition.

This is a point that Paul Moors, Chairman at the Bollington Group, agrees with and he says: "I think to charge additional fees over and above normal remuneration, when there is no real added value, is wrong. If, however, a broker is giving genuine advice regarding a risk and is not remunerated as part of the insurance placement, then of course a separate fee should be charged for the advice or consultancy."

The current economic climate is also playing

name?

into the hands of brokers looking to move into risk management and Paul adds: "Many of the firms buying these services have previously not done so, but the economic and legal climate has changed. In many cases they are now no longer able to trade through uninsured losses or uninsured litigation."

The big decision for brokers will be whether they want to develop their own in-house speciality and establish a dedicated division that caters for the risk management needs of clients or they decide instead to provide access to risk management expertise through a network of partners.

Carolyn believes the best way for brokers to offer risk management is through an internally developed expertise and she comments: "The IRM believes that risk management is a skill that brokers should aim to build in-house because, as well as providing benefits for clients, it is also a management competency that anyone working in a professional position should understand and be able to apply."

However, this is not the route that all have chosen and Towergate's broking division has specifically decided against it, as corporate Sales Director Neil Emerson explains: "A network of partnerships allows brokers to offer the best possible service without having to spend all of their time doing it."

Once brokers have identified potential risk management issues, Neil believes it is more effective to bring this to the attention of the client and point them in the direction of a specialist third party who can come up with a tailored and effective solution for their specific needs.

This, he believes, is a better way of serving clients and their individual and varied needs, than trying to cater for all of their risk consultancy requirements unilaterally.

However brokers go about providing for clients in this area, it looks certain that more will continue to move beyond the boundaries of providing purely transactional insurance services.

This move into risk management will further the efforts the broking market is already making to be recognised as a professional force and help individual brokers become even more trusted and valuable business advisers for their clients.

The opportunity for brokers purely in health and safety risk consultancy

Even well-run businesses suffer unexpected accidents and brokers have their part to play in proactively helping clients to manage that potential risk and deal with the unexpected in an affordable way.

Without that preparation the costs can be frightening as highlighted by the Health and Safety Executive (HSE). On average the HSE found the total uninsured losses from day-to-day accidents outweighed premiums by ten times.

Clearly, therefore, there is a financial benefit for businesses that can identify and mitigate their risks wherever possible.

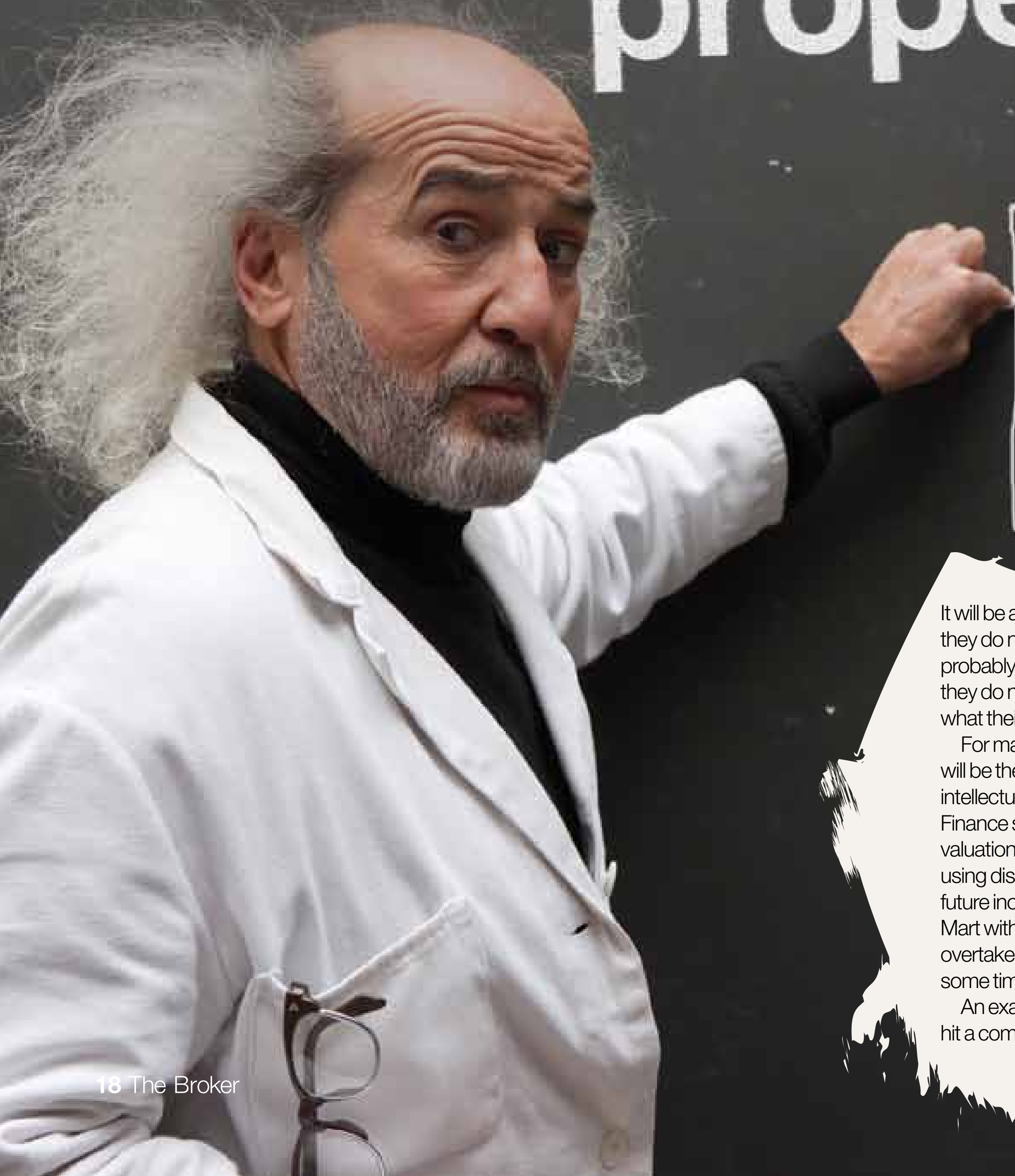
To give some idea of the scale of the issue, research published by the HSE has found that every day in Great Britain at least one person is killed and over 6000 are injured at work.

It found that every year three quarters of a million people take time off work because of what they regard as work related illness and about 30 million workdays are lost as a result.

Businesses are loath to add extra policies to their insurance schedule to try to cover all of these risks, at a time when paying for premiums is already difficult. Equally, however, they will be keen to properly identify and manage the risks they face.

The challenge for brokers, therefore, is to tap into this need and offer a professional service that adds value for the client, helps to retain them in the long term and generates a growing revenue stream for their own business.

Inside the world of intellectual property



Insurance has a key role to play in protecting creations of the mind and indeed brands as Peter Franklin explains

It will be a surprise to many companies to find that they do not have insurance cover for what are probably their major assets. The problem is that they do not even realise what these assets are and what their value might be until they lose them.

For many companies their most valuable assets will be their reputation or brand values and their intellectual property rights. Consultants Brand Finance specialises in brand valuation and the valuation of intangible assets. In August 2008 and using discounted cash values applied to forecasted future income and brand strength, it found Wal-Mart with a brand value of $42,567 million had just overtaken Coca-Cola who had been number 1 for some time at $41,853 million.

An example of how loss of reputation can hit a company is Perrier. In 1989 benzene was discovered in bottles of Perrier water in the USA. The company initially blamed a mistake by an employee on the bottling line for the USA, the benzene was then subsequently found in supplies worldwide and they had to change their original explanation.

This all resulted in a loss of confidence by consumers in the product despite spending $25 million on an advertising campaign. The company was acquired by Nestle in 1992 at a price estimated to be nearly 80 per cent below its peak value in 1989.

Brand value

Unfortunately at the present time cover is not available in the general insurance market for loss of brand value as a result of such incidents. Some major companies have limited cover via their own in-house captive using financial engineering products.

The problem faced by the insurance market has been to find a definitive formula for calculating the loss of brand value following a defined event. Very often there are other events taking place at the same time and trying to decide exactly what impact a particular event has had is very difficult.

Defining the event to be insured has also proved difficult. Some years ago, I was involved in discussions with a leading firm of international accountants who were confident they could measure the loss but insurers were reluctant to accept their assurances.

The allegations that surfaced in April 2010 against Goldman Sachs led to an immediate 13 per cent drop in its share price and it is feared that its loss in brand value if the allegations are proven would dwarf the suggested $2 billion fine it might suffer.

Companies like Brand Finance regularly produce brand valuations and a number of companies include such values as intangible assets on their balance sheets. Such brands are often sold particularly in the food processing industry with companies like Premier Foods building their business by exploiting such brand names as Mr Kipling, Lyons, Branston, Oxo and Hovis among many others.

Companies like Calvin Klein, Virgin and Easyjet have 'stretched' their brands to apply to all types of product away from their original base product.

Even for small companies this is an important area and can apply both to professional firms as well as manufacturers and retailers. An obvious example of a professional firm is that of Arthur Andersen, the accountants who were caught up in the Enron scandal. For a small firm the failure of its product supplied to a major customer can easily lead to the customer losing faith in its supplier and cancelling the contract.

Safety net

Insurance cover for product recall and losses caused by malicious tampering can go some way towards providing a partial safety net but until the insurance market can conquer the problem of providing cover for loss of reputation in an easy understood and clearly defined manner, companies will continue to be exposed to such losses without the protection of insurance.

> "Increasingly UK firms are concentrating on innovative products and the design of goods to beat cheap imports"

Insurance is available for crisis situations from kidnap and ransom to extortion and contaminated food and drink products and consumer product recall situations. Cover is for the costs of experts to advise on steps to handle the situation.

For intellectual property rights the news is better as insurance is generally available although comparatively few companies take advantage of the cover.

But, what exactly is intellectual property? Wikipedia defines it as "a number of distinct types of legal monopolies over creations of the mind, both artistic and commercial, and the corresponding fields of law. Under intellectual property law, owners are granted certain exclusive rights to a variety of intangible assets, such as musical, literary, and artistic works; discoveries and inventions; and words, phrases, symbols, and designs.

Examples of what can be protected in the UK are a company's name and logo, inventions, works of creative or intellectual effort or trademarks that distinguish your business, patents, normally used to protect inventions, and copyrights.

Patents have to be registered in the UK at the Patents Office and provide protection against other parties exploiting your invention for a certain number of years. Patents have to be renewed yearly after the first five years up to a maximum of 20 years. They have to be registered in each country where you wish to be protected.

Copyright

Trademarks also need to be registered and are used to distinguish your goods and services from those of a competitor. Copyright is an unregistered right and is for written work, software programs, music, films, etc. It does not protect ideas but the way that it is presented.

Designs can also be registered and protected.

The insurance available is usually for the legal costs in defending your rights, or enforcing them, and damages awarded if your defence is unsuccessful where a competitor is disputing your right to the patent, trademark, design or copyright.

Cover will also normally include inadvertent breach of a third party's intellectual property rights. Cover is generally available to UK companies with high risk areas being pharmaceutical, IT, and financial sector companies and companies with a past claims history.

It is important as with any type of insurance to select an adequate indemnity limit. Remember solicitors and barristers specialising in this type of law are amongst the highest paid in the legal profession and you are also likely to require the services of expert witnesses. An indemnity limit of £5 million should probably be considered a minimum but each case should be assessed on an individual basis and, of course, the premium needs to be taken into account.

A recent change by HM Revenue and Customs in the area of imported goods has increased the risk to UK brands and reputations. If HMRC impounded alleged fake goods then it was for the importer to go to court to prove otherwise. Since June of 2009 HMRC will now only detain such goods for 10 days.

Within that time the company alleging they are fake must go to court to prove the allegation; failure to do so will result in the goods being released onto the market after the 10 days. If the company fails to take action each time then there is a danger that the importer can claim the rights holder's acquiescence if they ever challenge the importing at a later date.

My aim has been to demonstrate the importance of intellectual property and the need for insurance cover. Increasingly UK firms are concentrating on innovative products and the design of goods to beat cheap imports and these rights and assets need to be protected. The Labour Party in its manifesto promised tax breaks for IP and we must now hope the ruling coalition Government chooses to develop these as well.

Brokers, as insurance advisers, need to protect their positions by explaining to clients where they may be at risk and where a combination of risk management and insurance is desirable.

*** For more details of types of intellectual property see the Intellectual Property Office website at http://www.ipo.gov.uk/types.htm**

Peter Franklin runs Franklin Consultancy and also chairs BIBA's Liability Committee

The Bribery Act – an effective weapon in the corruption war

The UK could now have some of the world's toughest legislation against corruption after the Bribery Bill received Royal Assent in April. The Bribery Act 2010 ushers in a modern and consolidated bribery law, giving law enforcers a more effective legal framework in which to prosecute individuals and companies.

The Bribery Act marks the end of the era of business as usual, according to Transparency International UK, which has campaigned 12 years for reform. Chandrashekhar Krishnan, Executive Director of Transparency International UK, says: "This Act sends out a strong message to UK plc and the rest of world – the UK will not tolerate bribery. Ethical practices must be firmly embedded in all echelons of business."

The Act is expected to become effective later this year, creating offences of offering, promising or giving of a bribe and requesting, agreeing to receive or accepting of a bribe either in the UK or abroad, in the public or private sectors.

It will also create a separate offence of bribery of a foreign public official in order to obtain or retain business. Another new offence in relation to commercial organisations failing to prevent a bribe being paid by those who perform services for or on its behalf will also be introduced.

Under the Act, an organisation can claim a defence by demonstrating that they had 'adequate procedures' in place to prevent bribery. The Act's bribery offences will only become effective after the Government issues guidance about what these 'adequate procedures' entail.

> "This Act sends out a strong message to UK plc and the rest of world – the UK will not tolerate bribery"

While the Financial Services Authority (FSA) is not a criminal prosecutor for bribery and corruption, any evidence of criminal matters that it finds at firms is referred to the Serious Fraud Office (SFO), the UK lead agency for criminal prosecutions for corruption. Nevertheless, the FSA will use enforcement to support supervisory activity where it discovers weaknesses in anti-bribery systems and controls.

Mathew Rutter, Partner with law firm Beachcroft, believes the legislation is hugely important for the FSA allowing it to mount a more credible deterrent. "The regulator has said it is being more aggressive and it means it."

Mathew Rutter says brokers are likely to face additional FSA scrutiny as a result and emphasises now is the time to "conduct a thorough risk assessment, to have clear policies in place and to update training as necessary".

Knowing whom you are doing business with is vital, he advises, saying thorough due diligence should be carried out. He warns that tick box auditing processes will be insufficient – there needs to be a risk-based approach starting with staff vetting, an area where many firms are weak. "Firms tend to rely too much on informal referrals. There should also be an emphasis on financial crime training and in specific training on anti-bribery or corruption."

Employees must be able to recognise and react appropriately to possible bribery and corruption. Mr Rutter adds: "Bribery extends to corporate hospitality. Excessive wining, dining and, above all, expensive corporate gifts and junkets could catch the regulator's eye." Brokers also need to ensure that suppliers, outsourcing organisations and others acting on their behalf maintain the same high standards as they are required to.

Tackling bribery and corruption – find out more

Serious Fraud Office
Website: **www.sfo.gov.uk/bribery-corruption.aspx**
FSA
Anti-bribery and corruption in commercial insurance broking
Website: **www.fsa.gov.uk/pubs/anti_bribery.pdf**
Transparency International
Business Principles for Countering Bribery
Website: **www.transparency.org/global_priorities/private_sector/business_principles**

The route to successful cross-selling

Insurers and brokers should work together to develop cross-selling opportunities, according to Anne Hudson, Business Development Manager for Markel (UK).

She says it is not easy for brokers to increase their firms' revenues through organic growth. "Acquiring new clients is time consuming and expensive. Start-up businesses are rare and will not command high premiums, so brokers' main focus will be winning clients from competing firms and getting more business from existing customers."

"So brokers' main focus will be winning clients from competing firms and getting more business from existing customers"

But, cross-selling is not easy and with the current economic climate many brokers feel afraid to suggest buying another product for fear of pushing the client away.

One product suitable for cross-selling is directors' and officers' insurance. Most commercial package insurances do not provide this cover, yet the economic climate has fuelled litigious activity. Here, it may be necessary to explode some myths about civil exposures as follows:

"I don't have a title director, so I can't be held liable?"
A civil action of negligence can be brought against a person acting in a role of responsibility regardless of title.

"The company can indemnify me?"
Not if it goes bust.

"We're only a small company."
The same laws and liabilities apply and the legal costs in mounting a defence can be substantial.

"They cannot touch my personal assets."
Yes, they can.

Brokers that are successful in cross-selling liability covers have a pattern of selling D&O in the first year, entity cover in the following year and full employment practice cover later on. Further, a scheme for trustee indemnity gives the opportunity to cross-sell other relevant products such as wider liability and property covers. A scheme for solicitor's indemnity enables you to cross-sell office insurance.

Cross-selling is a way to build a relationship between renewal dates. Even if some clients will only buy on price, clients will look to their brokers to ensure their full insurance needs are met.

Overcoming barriers

"My clients always ask if I can reduce their premiums."
If you set up a perception with the client that your role is always to bash down premiums, that is what will happen. Explain the alternatives available at a lower cost, but there is always a 'trade off'.

"I never seem to find the time."
Brokers would find the time to handle the problem of a civil lawsuit against a client and any accusation that it was felt 'comprehensive cover' had been arranged.

"The client will just see cross-selling as a means of making more money."
Most clients will appreciate you're thinking of their needs.

"It's hard enough to pull together existing insurers' renewal terms."
So why not get insurers involved in the cross-selling campaign? Alternatively, why wait until renewal when you are asking for a big amount already? An approach mid-term with a sense of urgency about new and relevant case studies provided by an insurer may be more successful.

"This client only ever buys the bare essentials."
Have some case studies to show relevant civil actions that have been settled in court. Explain that a quality insurer can help prevent appearing in court. And, by selecting just a small amount of extra cover the client may get access to value-added services, such as employment dispute helplines, that would cost a lot more bought separately.

Time to train the future leaders

The Chartered Insurance Institute (CII) has launched a management training scheme, which is purpose built for brokers and qualifies for government grants.

The five-day training course, which runs one day per month, has been devised to meet the specific management needs of brokers. This includes training on succession planning and talent, sales and relationship management, financial accounting, leadership, strategy and business planning.

The CII's broker academy manager, Scot Grimmer, explains how the course was put together as a result of broker feedback: "What brokers highlighted was the dearth of management training courses relevant to them. Equally, firms were not aware of the subsidies available to fund training and development."

Companies with between five and 250 employees in England only can apply for up to £1,000 towards the training, which costs a total of £1,500. He adds: "The course applies equally to people working in large, national firms and smaller, independent businesses. And the format is flexible, with attendees able to complete a whole course or select only the sessions they feel are important." The next course is scheduled to run in London in September.

Commercial, payments protection and goods vehicles are the latest offers to boost members' businesses says **Steve Foulsham**

Products in the premier league

TCU provides the right commercial choice
BIBA's Commercial Combined & Package facility through Towergate Commercial Underwriting (TCU) is now even easier for BIBA members, as it now provides Quote and Buy for shops, offices, surgeries and property owners' cover online.

The improved scheme was launched at this year's BIBA conference and has been well received by brokers who recognise that placing cover online saves them time and money. Commercial combined business can also be transacted electronically through the innovative 'TCU Online' trading platform that reduces administration time but still allows full negotiation directly with a team of empowered underwriters.

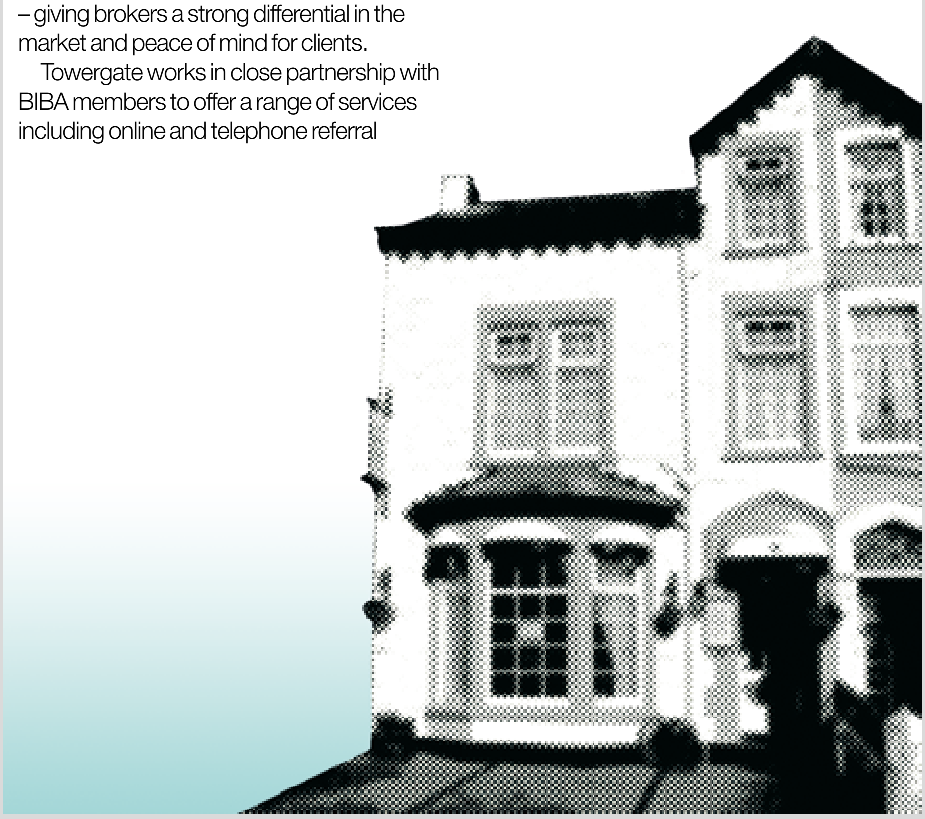
In addition TCU's policies include risk management tools designed for SME businesses such as online health and safety training for clients' employees, health and safety and business continuity planning, employee stress counselling and legal advice – giving brokers a strong differential in the market and peace of mind for clients.

Towergate works in close partnership with BIBA members to offer a range of services including online and telephone referral capability with direct access to dedicated underwriters. BIBA members benefit from exclusive enhanced commission of 21 per cent on business placed through this facility.

To place cover:
– Shops, offices, surgeries and property owners – immediate online quotations can be obtained from Towergate's Quote & Buy website at www.towergate.co.uk/quoteandbuy

– Commercial combined – to arrange access to TCU's bespoke online commercial combined trading platform or to discuss an individual enquiry, please call us on 0844 892 0965.

For details of login details, contact Towergate's Broker Support Unit on 0844 892 1600 and for more information contact Laura Jones on 07793 661 676.



Protecting the payments that count

BIBA and Millennium Insurance Brokers have launched a new Committed Payments Plan designed for the financial protection of brokers' customers in these uncertain political and economical times.

So, how does it work? Should the worst happen to customers, such as they are made unemployed, fall ill, have an accident or fatality, then protection with a Committed Payments Plan will cover those critical ongoing bills they are committed to pay, for up to 12 months.

The product provides:
– 22.5 per cent commission to the broker each year for life of the policy, paid annually up-front
– A free standing, flexible protection plan tailored to customers' monthly budget
– Regular committed payments cover of up to £2,000 per month
– Optional death benefit, up to 12 times the monthly benefit (max £24,000)
– A free-to-use practical back to work assistance programme, which can be used by all members of the family for job search assistance at any time
– Legal protection up to £50,000 to help defend customers' rights in employment contract disputes, or negotiating a settlement for bodily injury
– Free 24-hour helplines giving professional confidential legal advice on personal tax matters, general health and medical issues.

But, what exactly are committed payments? The answer is all customers' important monthly financial commitments that are paid by regular direct debit or standing orders, including:
– Mortgage, rent or loan repayments
– Home improvement and/or car loans

- Key insurance premiums for home, motor, life and protection
- Credit card repayments
- Utility bills including water, gas, electricity and council tax.

In terms of flexibility, it allows customers monthly protected benefit or cover, can be changed at any time to adapt to lifestyle changes or when additional debt is taken on or new financial commitments are made. It is completely free standing and portable so can be used to protect all loans and debts from any lender, or to pay all regular occurring direct debits and standing orders.

Customers can choose from:

- A monthly cash benefit ranging from £200 up to £2,000 a month
- Joint or single life cover
- Choice of "deferred" or "excess" time periods per claim from Day 1 to 30, 60 or 90 days
- Choice of involuntary unemployment and/or accident and sickness, with or without life cover.

Alternatively, Millennium offers a redundancy cash plan with the same practical help and assistance, but which simply pays the customer a one-off £1,000 tax free lump sum payout as a result of redundancy.

The cost depends on the benefit and type of cover the customer needs. For a benefit of £500 per month, for full involuntary unemployment and accident and sickness cost (90 day excess) and a death benefit of £12,000 with legal protection and the free back to work assistance, the customer would pay £27.55 per month – less than £1 a day. The cash plan would cost only £9.17 per month.

BIBA Committed Payments and Redundancy Cash Plans are arranged by Millennium Insurance Brokers, underwritten by Jubilee Insurance Lloyd's Syndicates 5820 and 779. The legal protection is provided by DAS Legal Insurance Company.

Quotes can be obtained and cover bound via a free-to-use online trading platform or you can telephone the BIBA Broker Support Team on 08444 124 167.

To find out more about this new ground-breaking broker solution to all those PPI concerns, contact Stephen Clowes FCII MIRM, Underwriting Director, at Millennium Insurance on 08444 124 153 or email him on stephen.clowes@directgroup.co.uk

Driving ahead with MotorRiSK – BIBA

MotorRiSK – BIBA was launched back in 2006, and has gone from strength to strength. The product continues to give brokers a quick and competitive solution to providing cover for up to six large commercial vehicles, including haulage vehicles or any number of skip-carrying vehicles.

The instant access to knowledgeable underwriters, who are familiar with the demands and needs of brokers' clients in the haulage and transport industry, continues to be a valuable tool.

Bluefin regularly provides cover for new ventures taking a pragmatic approach to calculating introductory bonus. If a client can clearly demonstrate claim-free driving experience at their previous employment, the number of years will be taken into account when applying introductory bonus. Bluefin can also offer indications of premiums for clients considering setting up in business and, once applications for their Operator's Licences are under way with VOSA, cover can be arranged.

The BIBA-approved products from Bluefin provide:

Large goods vehicles for a wide range of trades

- Comprehensive & third party fire and theft covers available
- 3.6 tonne (GVW) and upwards
- Haulage and own goods risks available
- Unspecified attached and detached multiple trailer cover included
- Hazardous goods cover (excluding UN classes 1 & 7)
- Up to 50 per cent introductory no claims discount available for new ventures
- Windscreen cover with reduced excess
- European cover available
- 10 per cent commission payable
- Personal accident and personal belongings cover available.

Skip and waste risks

- Any number of skip vehicles from 3.6 tonne (GVW) upwards
- Comprehensive and third party fire and theft covers available
- Automatic cover for skips/containers with a reduced excess
- Interest-free instalments on individual and fleet risks
- Low claims rebate clauses on fleet cases
- Recently reduced accidental damage fire & theft excess of £500 (previously £750)
- Protected no claims discount available for vehicles with six or more years
- Up to 50 per cent introductory no claims discount available for new ventures
- 10 per cent commission payable.

For more information, contact Samantha Todd – Commercial Motor Manager at Bluefin on 01638 782217 or email her on Samantha.todd@bluefingroup.co.uk

Steve Foulsham is BIBA's Technical Services Manager

Clarification from BIBA provides a valuable grounding on the crucial topic of limitation of liability reports **Graeme Trudgill**

Why it pays to be prepared

The BIBA Professional Indemnity Insurance Initiative has launched a new publication in order to provide clarification to brokers on the issue of Limitation of Liability when advising clients. It is available on the BIBA website and all BIBA broker members should receive a free hard copy.

The new publication entitled *Facts about Limitation of Liability* aims to help brokers to manage their financial risk and ensure that it is proportionate to client engagement.

This document is in direct response to members' concerns on a key subject that they need to adhere to from a regulatory and legal perspective. It also explains how clauses must be drawn to the client's attention, avoid ambiguity, not restrict liability for death or personal injury caused by negligence, fraud or misrepresentation and much more.

So, what is a Limitation of Liability clause? It is a clause in an agreement that seeks to exclude or limit the extent of potential liability owed by you to a client. It seeks to exclude any responsibility to pay compensation to a client, or at least reduce the amount you may have to pay, if you break your terms of business with your client, or if other things go wrong.

It can restrict the types of losses that are recoverable for you by the client and can apply a financial cap on the total amount that may be recovered from you. BIBA has a panel of accredited professional indemnity insurance brokers; they have seen brokers struggling with this complex issue.

Tim Coles, Chief Executive of BIBA-accredited PI broker, Howden Insurance Brokers, and a BIBA LMRC member, comments: "BIBA's London Market Regional Committee (LMRC) set a major objective in its 2010 business plan to achieve greater clarification on the practice that many brokers, and other professions, already undertake. This demonstrates the value of BIBA to its members and to the industry as a whole. It is the first document of its kind and should allow brokers to understand the legal, ethical and financial risks that are faced when advising a client."

And Alan Eyre, Managing Director of BIBA-accredited PI broker Towergate, says: "This is a very complicated subject fraught with potential pitfalls for brokers, with both legal and regulatory restrictions. This legal opinion helps to clarify the situation. Brokers should talk to a BIBA accredited PI broker to ensure the liability clause reflects their Professional Indemnity insurance cover."

Meanwhile, Neville Miles, Partner with BIBA-accredited PI broker Lockton, comments: "This is really about brokers putting their own risk management advice into practice while still providing their clients with a good level of protection. In the past there was the potential for errors to occur; the BIBA document should help clarify these complex issues."

Legal opinion was sought from Lawyers Beachcroft and Partner Emma Bate explains: "A limitation of liability clause should not be seen as a means of reducing a broker's responsibilities, and a broker should not enter a contract expecting to rely on it. Instead these clauses should be viewed as a means to allocate risk fairly in extreme circumstances."

The document:

- Explains what a Limitation of Liability clause is, taking into account the ethical, legal and financial risks you face when advising a client
- Provides a broad description of the legal and regulatory background of limiting your liability
- Offers a more detailed technical analysis of a standard Limitation of Liability clause
- Makes brokers who limit their liability aware of the practical considerations
- Outlines the Legal Risk, Prudential Risk, Operational Risk and Reputational Risk.

BIBA recommends you should always seek your own legal advice before entering into any specific agreement that limits your liability.

Graeme Trudgill is BIBA's Technical and Corporate Affairs Executive

Revising the IMD

Everything changes and that includes the Insurance Mediation Directive. **Steve White** provides an update

Nothing stays the same forever, the old saying goes, and the same can be said for European Directives. The Insurance Mediation Directive (IMD) was rubber-stamped in Brussels late in 2002 and is now the subject of an official revision by the European Commission's Directorate General Internal Markets and Services.

The revision started last year is likely to lead to a revised Directive (IMD2), cost benefit analysis and impact assessment being presented to the European Parliament in the first quarter of 2011.

BIBA is a member of, and an active participant in, The European Federation of Insurance Intermediaries (BIPAR). BIPAR's Directors' Committee, on which BIBA sits, has been developing and putting forward its positions on the key elements of the revision to the Director General of Internal Markets, making sure that intermediaries' voices are heard at the highest level.

So what are these key elements of the revision? Back in January 2010, the Directorate General (DG) of the EU's DG Internal Markets wrote to the Chairman of The Committee of European Insurance & Occupational Pension Supervisors (CEIOPS), inviting 'technical advice' on seven specific areas. These areas included:

1. The legal framework – the practical advantages and disadvantages of adopting a Lamfalussy structure for IMD2.
2. Scope – what should be included within and excluded from the scope of IMD2 and how could direct sales by insurers be effectively incorporated to guarantee a level playing field.
3. International dimension – improving legal certainty of services offered by intermediaries based in third countries when provided in the EU.
4. Professional requirements – what high level requirements on knowledge and ability would be appropriate in view of existing differences in the applicable qualification systems in member states.
5. Cross-border aspects – how can the current notification system be improved and how can the single market function better.
6. Management of conflicts of interest and transparency – what high level principles for effective conflict management would be best and how can transparency of remuneration be improved, taking into account the need for a level playing field.
7. Reduction of administrative burden – how can the administrative burden created by the IMD be reduced, what areas of the IMD have proven too costly to implement and how can appropriate areas of IMD be regulated in a less costly way.

The debate around scope is proving to be interesting. The IMD is an activities Directive – it lists the activities which, if undertaken for business, bring the firm within scope. However, while the activities are listed, they are not defined. The list includes 'introducing' but there is a wide variance in how the 27 Member States have interpreted the activity.

Variances in interpretation goes against the whole ethos of a single market and so it is likely in the revision that some of these activities will now be defined. This is particularly important in respect of 'introducing' as there seems to be an appetite among the policy makers to take some intruding activities out of scope in IMD2.

The whole commission disclosure debate will be addressed in IMD2 and there are wide differences in both current approach and desired outcome. The FSA is a significant voice within CEIOPS and, while it favours the current UK position on disclosure upon request, there are certain states that view this as a step too far, while others (certain Scandinavian countries) are lobbying for the end of commission and a net-rated future.

The IMD revision is a very important piece of work and members can rest assured that BIBA is as actively involved in the process as we can be.

Steve White is BIBA's Head of Compliance and Training

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