Winter 2009
Issue 39

British Insurance Brokers' Association

The Broker

The journey ahead

Views on the way forward for general insurance

Managing general agents
Are they here to stay?

Hot property
BIBA's Property Committee talks business

Scanning the political horizon
What will change mean?

The best insurance is a BIBA broker

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BIBA

Trade Association Forum
Best Practice Awards 2009
WINNER
Trade Association of the Year Award

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Welcome

Leighann Burtrand
Editor of *The Broker*

Early indications show that there's been an excellent response to the Aviva TV advertisements which feature comedian Paul Whitehouse as the hugely successful hairdresser, Jason.

His recommendation is that business owners contact their local broker – and we know that thousands of additional potential customers have been searching for BIBA broker contacts via the Aviva website.

This is the first time a TV advertisement has included a call to action to contact a broker – and we think it's an exciting initiative. We'd also like to hear your views on it.

The search facility on the website is a version of BIBA's Find a Broker service and we spent a couple of months working with Aviva ensuring business owners can quickly find a broker who can provide them with great service.

Hopefully, many of you are now seeing the benefits. The details on the website are all based on the information you have provided us with, so please make sure it is as up-to-date as possible and remember, you can also list any areas where you offer particular expertise.

And if you're not on the site yet, or need any help as to how to enter your details, then please contact us – this is one of the easiest ways to obtain quality business leads for practically no effort!

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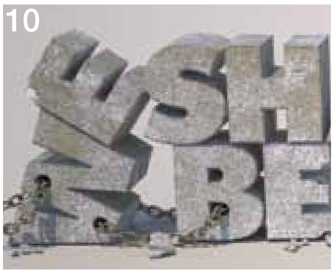

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Viewpoint

Eric Galbraith looks ahead to 2010, which looks set to be a busy year

Regulation

As we approach the end of the calendar year and what have been, and continue to be, challenging times, BIBA, like most of its members, is already focused on what needs to be done in 2010.

Protecting and promoting members' interests remains the core of BIBA's agenda, which means that the General Election, expected in May, requires vigilance with regard to potential changes to regulation, especially given the Conservative Party's publicised views. We have already begun a dialogue with all interested parties and the first quarter of 2010 will see BIBA continue to put forward its message about the need for proportionate and cost-effective regulation.

Still on regulation, the revision of the Insurance Mediation Directive implemented by the EU will remain a priority. Meetings with European and UK officials to discuss our main concerns and to ensure that our members' views are fully understood by those shaping any revisions are well under way.

Annual conference

We have our annual Conference and Exhibition on 19 and 20 May at ExCeL London. The programme, which has been revised to concentrate business into two full days, is almost complete and will be announced in early January. Exhibition stand sales are already under way and we hope that the event will be even bigger and better than our last visit to ExCeL in 2007.

Attendance at the Conference and Exhibition is free to members – great for catching up on what is new in our sector and ideal for networking. Management and staff in all disciplines will gain a valuable insight into the market, be able to attend workshops and gain useful CPD points.

"Protecting and promoting members' interests remains the core of BIBA's agenda"

Looking ahead

2010 will also see a continuing focus for BIBA on some of the unfinished business of 2009 which includes electronic motor certificates, ensuring the law is changed to allow market reform and the Equality Bill.

BIBA's 2010 *Manifesto* will be published in January – so keep a look out for it. It has details of all of the above and more.

Another major piece of work in 2010 and beyond is professionalism. *Professionalism in a changing world* is the theme for the BIBA 2010 Conference. BIBA is also an active participant in the general insurance professionalism task force, an important initiative being led by the Chartered Insurance Institute which is looking to develop an agreed common standards framework for our industry. We have a very diverse insurance industry and each segment needs to indentify and promote what professionalism means to them.

BIBA's 'Find a Broker' section of its website is now part of mainstream promotional TV advertising following the Aviva TV campaign for which BIBA provides the search engine. We are looking at redesigning and upgrading our search facility but, in the meantime, can I remind members to be sure to update their details. Please contact our Membership Department if you need assistance.

2010 looks like another important and busy year for the BIBA team. Members' views are important to us, so please keep in touch. We will be visiting the regions during the forthcoming year and hopefully we will meet you while we are out and about.

Last, as the festive season is almost upon us, I would like take this opportunity to wish you all the very best for a healthy, happy and prosperous new year… when it comes.

BIBA Conference 2010 – we're on our way

It's all systems go for the next BIBA Conference, *Professionalism in a changing world*, which takes place on 19 and 20 May at ExCeL London.

The title was chosen to reflect the strength of the broking channel at a time when the financial services industry is under the spotlight as never before, says Chief Executive Eric Galbraith. "I'm looking forward to welcoming as many of our members as possible – it's the best networking experience in the industry and it's impossible not to come away without lots of workable ideas and useful contacts."

ExCeL was used by BIBA in 2007 and attracted record-breaking numbers – more than 3,000 attendees – and next year will see the arrival of the new format of a full two-day conference and exhibition held over a Wednesday and Thursday. Entry to both the conference and exhibition will be free to all BIBA members and all intermediaries are welcome to attend the exhibition at no cost.

Because of the level of interest in *Professionalism in a changing world*, the event will feature an extended exhibition area, suitable for companies of all sizes.

Eric comments: "We're looking forward to returning to London. There is no doubt this is a convenient location for a number of brokers but I would emphasise that for those who do not know ExCeL, there is plenty of space – it's not the cramped inner city. In terms of accommodation, there are plenty of options available, including some good, affordable hotels. Booking rooms and transport early makes sense and my message, as ever, is that the benefits of attending the conference are enormous – it's superb value."

Exhibitors

Exhibition space is selling out fast. Conference organiser Lindsay Campbell comments: "Experience has shown that exhibiting at BIBA is unparalleled in its benefits for many types of business – with exhibition booth prices at just £1,845 + VAT, it's not just an opportunity for the larger players. We've already sold or reserved 96 stands. Of these, 25 are less than 10 square metres, although the bigger companies are taking their traditional larger spaces."

She adds: "BIBA 2010 will be a thriving marketplace for smaller exhibitors to meet and do business with brokers. We're pleased to include a number of first-time exhibitors, as well as some returning companies who weren't involved in 2009. Most exhibitors have taken the same, and in some cases, larger space than this year."

Information on the programme and speakers will be added to the dedicated conference website early next year.

London's ExCeL centre is the venue for BIBA's 2010 Conference and Exhibition

Web section has London Market in mind

BIBA has added a new section to its website aimed specifically at the information requirements of its members in the London market.

The new service is designed to be straightforward to navigate and contains sections on regulation, technical advice (including Lloyd's market bulletins and Xchanging communications), training details, press releases, useful links and forthcoming events.

Vannessa Young, who runs BIBA's London Market Region Committee (LMRC) Secretariat, has been overseeing the project. She says: "The move is in direct response to members' requests for a comprehensive and specialist information resource that will keep them up-to-date with what is happening in the London Market. The new site also allows the LMRC to demonstrate its commitment to engaging with members and taking action to fulfil their needs."

The LMRC, led by Ken Davidson, Chairman of brokers Crispin Speers & Partners, has been building momentum since its creation earlier this year. In addition to the new site, a regular quarterly compliance forum has been launched to allow London Market members the opportunity to discuss regulatory issues affecting their business in an informal atmosphere.

"The committee is currently working on its business plan for 2010 which will see broker education and professionalism taking centre stage. There's also the prospect of a change of government and regulator which members will have to contend with, the implications of which the LMRC are considering now," says Vannessa.

Members can access the new website via two routes: from a newly designed LMRC button in the broker section of the main BIBA website, or by going through the regional committee page and clicking on London. For more information please go to: www.biba.org.uk/BrokerStaticPageDisplay.aspx?templatename=London/LondonCommittee.htm.

Should you have any ideas for additional content for the LMRC site, please contact Vannessa on 020 7297 0233 or email her at youngv@biba.org.uk.

Accident initiative launched

BIBA has launched a new accident management sub-group, which will meet on a regular basis to feed back information and provide guidance to members on this important area.

The group is headed by George Nicol, Claims Director at Heath Lambert and BIBA's Technical and Corporate Affairs Executive, Graeme Trudgill.

A number of brokers earn revenue from recommending accident management services. These companies provide replacement cars to non-fault drivers while their vehicle is being repaired.

These companies then try to obtain the cost from the guilty party's insurer. In most cases, brokers are merely assisting clients and ensuring they stay on the road, however, as George says, brokers do need to ensure they are transparent about what is being provided.

"There have been some cases where the client has been asked to attend court as a key witness to reclaim the hire charges but was not aware this might happen. Brokers have treating customers fairly (TCF) duties and they should always explain any consequences about what is being provided."

He adds that the group fully supports brokers' positions and adds: "We fully understand that some do earn revenue from this, but we want to help brokers avoid any conflicts of interest and be clear about disclosure."

Where the action is

BIBA's team have had packed diaries of late – **Leighann Burtrand** explains what's been happening…

Although we are now heading rapidly towards the end of the year, there has been no let up in the amount work being carried out on behalf of members. We have been engaging with regulators, politicians, the media and a raft of associations and other parties, so here is a taster of some of our recent activities:

Government

- Attended Department for Transport continuous insurance enforcement (CIE) stakeholder meeting and pushed for the introduction of electronic motor insurance certificates.
- Responded to Government consultation on the Equality Bill on age, having also met with Age UK.
- Held trade credit meeting with the Department for Business, Innovation and Skills (BIS).
- Met senior members of DEFRA to put forward members' views on the Flood and Water Management Bill and attended DEFRA meeting to review the operation of the regulations following implementation of the European Directive in March this year.
- Met the Scottish Government to discuss insurance for social housing.
- Met the Treasury's Asset Freezing Unit and ABI to discuss financial sanctions.
- Responded to the Office of Fair Trading review of advertising and pricing, specifically in relation to aggregator pricing.
- Responded to the Treasury's consultation, *Reforming Financial Markets*.
- Responded to the Office of Fair Trading's study into advertising and pricing specifically relating to aggregator activity.
- Met Mark Hoban MP to discuss Conservative Party proposals for regulatory reform.
- Attended the All Party Parliamentary Group Insurance and Financial Services Business Leaders' Forum.

Europe

- Responded to the European Commission's consultation on non-life insurance – survey of insurance intermediaries with particular emphasis on motor and property insurance cover and the cross border interaction of variations in premiums and profitability.
- Attended BIPAR directors' committee meeting in Brussels to consider details of IMD revision.

Regulation

- Met the FSA to discuss their work on anti-bribery and corruption systems.
- Attended the FSCS Consumer Awareness Advisory Panel meeting.
- Issued a regulation update regarding the FSA's online update on client money findings.
- Issued a regulation update regarding the FSA's feedback on Turner Review of the banking crisis in FS09/3.
- Issued a regulation update regarding the FSA's examples of good and poor TCF practice.
- Issued a regulation update on FSA's new measures to protect PPI customers in CP09/23.

Working with other associations

- Discussed with the CBI the potential of the Bank of England and the CPA replacing the FSA.
- Responded to the CBI's working group on equality to promote proportionate risk-based pricing and demonstrate that there is no market failure.
- Met with the Chartered Insurance Institute to discuss the establishment of professional standards for brokers.
- Met with the Association of British Insurers to discuss trade credit insurance.
- Met with the Motor Insurers' Bureau to discuss the 'Stay Insured' campaign and continuous insurance enforcement.

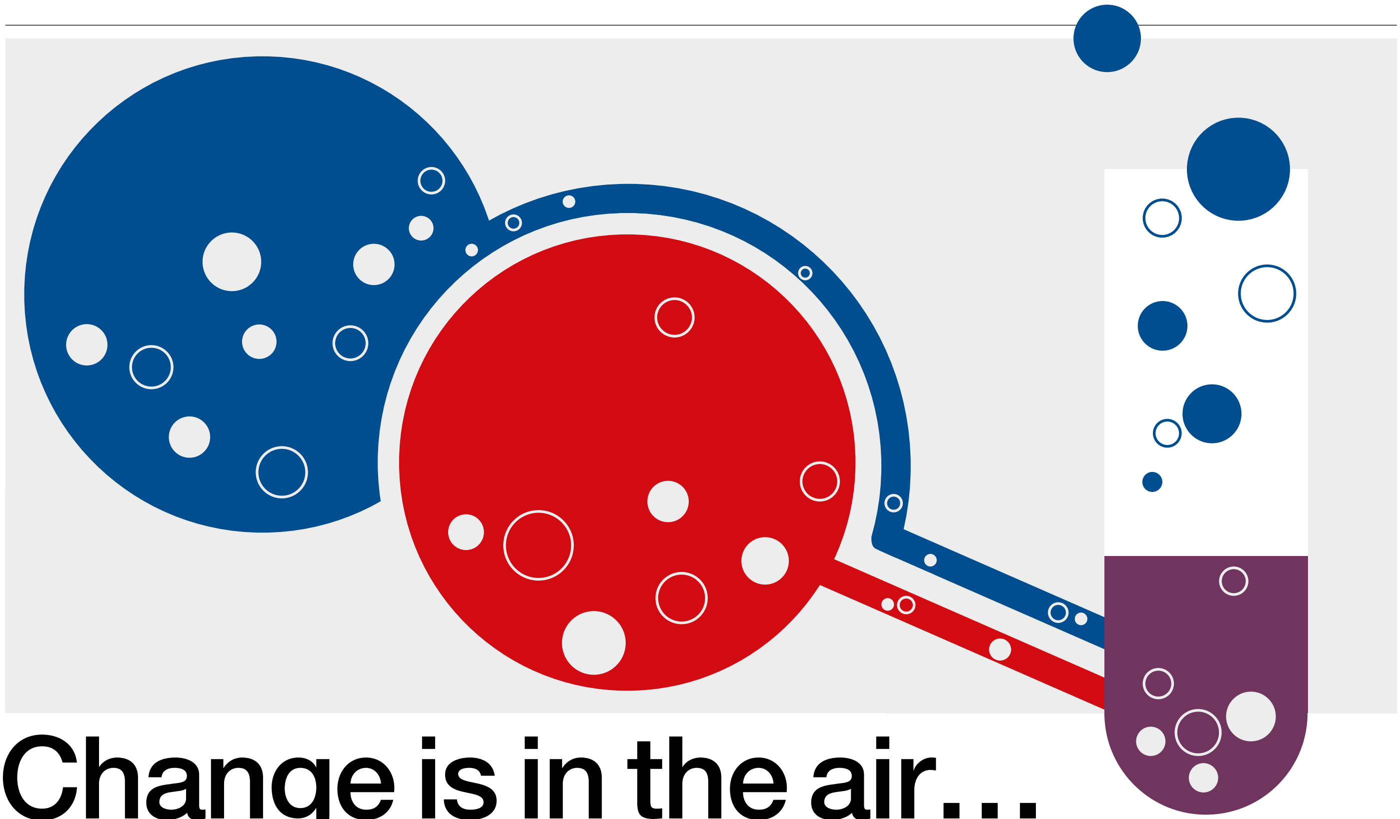
In the regions and at BIBA HQ

- Held the West Midlands roadshow, with 140 attendees, looking at broker industry issues.
- Attended BIBA Yorkshire and Northern's one-day regional event.
- Met with the BIBA Scottish Committee.
- Launched an information website for Lloyd's and London market members which is accessible through BIBA's Regional Committees page.
- Met with the major software houses to discuss key member issues.
- Held our first accident management company sub-committee meeting.
- Held private medical insurance focus group meeting.
- Held Scottish regional conference, with 232 attendees.

Media

- Met BBC TV to discuss the promotion of insurance brokers.
- Met Channel Four to discuss a TV programme about the insurance industry.
- Promoted brokers twice in *The Mirror*, *The Daily Telegraph*, *The Grocer* and featured in *The Guardian*.
- Met with *Insurance Age*, *Money Saving Expert*, *The Guardian* and *The Daily Telegraph* to promote brokers.
- Attended the *Post Magazine* fraud event regarding UK insurance fraud trends, including a session on improving cooperation with the broking industry delivered by David Meur, BIBA's Property Committee Chairman.
- Met with *Moneywise* magazine to promote the benefits of brokers.

Leighann Burtrand is BIBA's Communications Manager



Change is in the air…

This is a crucial time for BIBA to engage in policy debate to ensure that members' views are well represented to those who will shape the business and regulatory environment, reports **Julie Harris**

Big changes are expected at the 2010 General Election. With the opinion polls consistently showing a double digit Conservative lead, there's a general expectation that this party will form the next Government when the country goes to the polls, as expected, next May. That said, the scale of the challenge facing the Conservative leader, David Cameron, should not be underestimated. From the current Conservative base of 195 MPs, he needs a swing of around seven per cent to gain an overall majority of just one. However, with the continuing unpopularity of the Government, few predict that Labour will be returned to power.

There's also an expectation that the election campaign could be different to what has gone before. Greater use of online methods of communication, including political blogs, could mean less focus on traditional media. We're already seeing resources targeted at key marginal seats, especially by the Conservatives. And there's now every expectation of a national TV debate between the party leaders, although the precise details have yet to be announced.

Whatever the election outcome, we anticipate a very different look to the next House of Commons. To date, more than 100 MPs have announced that they will not be seeking re-election, creating space for a new wave of talent. Many commentators predict that as many as half of Commons MPs will be newly elected.

Based on the profiles of candidates selected, these will be younger, drawn from more diverse backgrounds and have different attitudes. This opens up the possibility for change and modernisation, not least a more open approach to the use of new technologies and ways of communication. A number of independent candidates are also likely to find themselves on the Westminster benches, as the public's trust in politicians continues to be undermined in the face of the expenses story.

All that remains in the future. Before then, all parties are working hard to formulate their plans to deal with the current economic situation and address the difficult questions of future public spending commitments.

In terms of the regulatory environment for financial services, Shadow Chancellor George Osborne has set out Conservative plans for abolishing the tripartite system and creating a more powerful Bank of England, responsible for macro-prudential supervision. They would abolish the FSA and create a Consumer Protection Agency. On public spending, they are committed to cuts, but have stressed the need to drive cultural change in public services to achieve efficiencies while protecting the outcomes.

For the Government's part, the Queen's Speech in November laid out its plans for this final, truncated, session of Parliament before the General Election. The Financial Services Bill sets out the Government's proposals for promoting stability in the financial sector by strengthening regulation and better protecting consumers, including the roll-out of a national money guidance service. Other key bills include the Flood and Water Management Bill, a Personal Care at Home Bill and the Equality Bill, this last carried over from the previous session. With this widely seen as the start of the election campaign, the next few months are indeed expected to herald significant change.

Julie Harris is a Director of communications consultancy Fleishman Hillard

Managing general agents (MGAs) have certainly made the headlines over the last 12 months – they have their detractors – but are they here to stay? asks **Jonathan Swift**

Everyone's talking about managing general agents – and not always for the right reasons. Indeed, a number of major insurer bosses have made highly publicised comments about the poor profitability and quality of business MGAs bring to the table.

But this has not stopped a slew of start-ups in 2009, including Keychoice Underwriting and Affinity Insurance Management, led by senior figures previously associated with Primary Group: Jonathan Davey and Tony Docherty.

Start-ups

So, with the overall insurance market finally starting to show some green shoots of recovery with regard to rates, but with capital tight, what future is there for MGAs? And will the level of activity around new start-ups continue, slow down, or fizzle out completely?

Towergate Underwriting Chief Executive Officer Clive Nathan believes many underestimate the effort that goes into starting up an MGA: "I think it's more difficult to set one up than people realise. Some come to us and ask how we went about it, and we explain the time and effort needed, as well as the fact they will have to think about things such as actuarial support, staff, technology, etc.

"Many are surprised, as they just think that it is a case of sorting out a binder with an insurer, and off they go. But there's a lot of difference between a broker with a binder and an MGA, which we see as being more like a virtual insurer, in that it offers an end-to-end service."

Brendan McCafferty, Managing Director, Willis Underwriting and Commercial, Willis UK & Ireland, believes MGAs have had a bad name in recent times as a result of "the natural temptation" of start-ups to rush for growth, meaning the balance between profitability and volume is not always aligned.

"This is due perhaps to the dual challenges of developing MGAs and achieving volume in a soft market and increasing pressure on capital from insurers. The focus has shifted towards sustainability now. So I think the more fundamental purpose of the MGA business model will re-emerge to put service and wider proposition advantages at the heart of strategy," he adds.

James Gerry, Chief Executive Officer, Thistle Underwriters Limited, continues: "The noise may have died down, but the residual concerns remain, particularly among underwriters who have had poor experience with their MGA relationships.

"That said, underwriters can be a wildly optimistic bunch, and in any market there are likely to be those who believe they can make money out of an MGA relationship where previously others have failed. I'd suggest that the biggest single issue to be addressed under the majority of MGA deals is the total amount of pay-aways."

When asked about what MGAs can offer brokers that insurers may not otherwise be able to, words such as "service", "entrepreneurship" and "flexibility" are never far from the lips of those that run these businesses. The fact that many recent MGAs are lean start operations, with little or no legacy systems, gives them an obvious advantage.

Arista Chief Executive Officer, Charles Earle, says: "The relatively small size of many MGAs means they're more flexible and faster to act than large, composite insurers. The newly established ought to have better technology and management information. This combination of agility and self-knowledge can deliver a virtuous circle of awareness of an opportunity and the ability to seize it.

"Most big insurance companies simply cannot change their processes, services, etc, to overcome issues even when they wish to. Some MGAs will deliver in a particular product niche, others across a broader product range. What they have in common is delivering something that larger insurers often fail at, according to customer perceptions."

However, there remains a debate about whether many brokers can, or actually do, distinguish between insurers and MGAs. Especially if the service they receive is of a suitably high standard, and the policy documentation is delivered on time.

Evergreen UK Development Manager, Adam Boakes, says: "I don't believe impartial brokers really differentiate between insurers and MGAs. They're more inclined to seek out the very best service that the marketplace can offer clients. If the policy has A-rated security, then this is all that matters. If the particular insurer or MGA can back up this security with relationship, service, claims efficiency, contract certainty, etc, then that market will develop."

This was borne out by the recent Insurance 360 research report carried out by Incisive Media's Peter Joy. Evergreen come top overall out of 40 insurance providers, while other MGAs, including Arista, Fusion and Towergate, come out higher than more established insurance brands such as Zurich, NIG, RSA, Aviva and AXA.

> "The relatively small size of many MGAs means they're more flexible and faster to act than large, composite insurers"
> Charles Earle, Arista CEO

Focus

Because MGAs are not household names, OIM Underwriting Managing Director Sian Fisher believes that they have no option but to focus on high skills, service, accessibility and innovation.

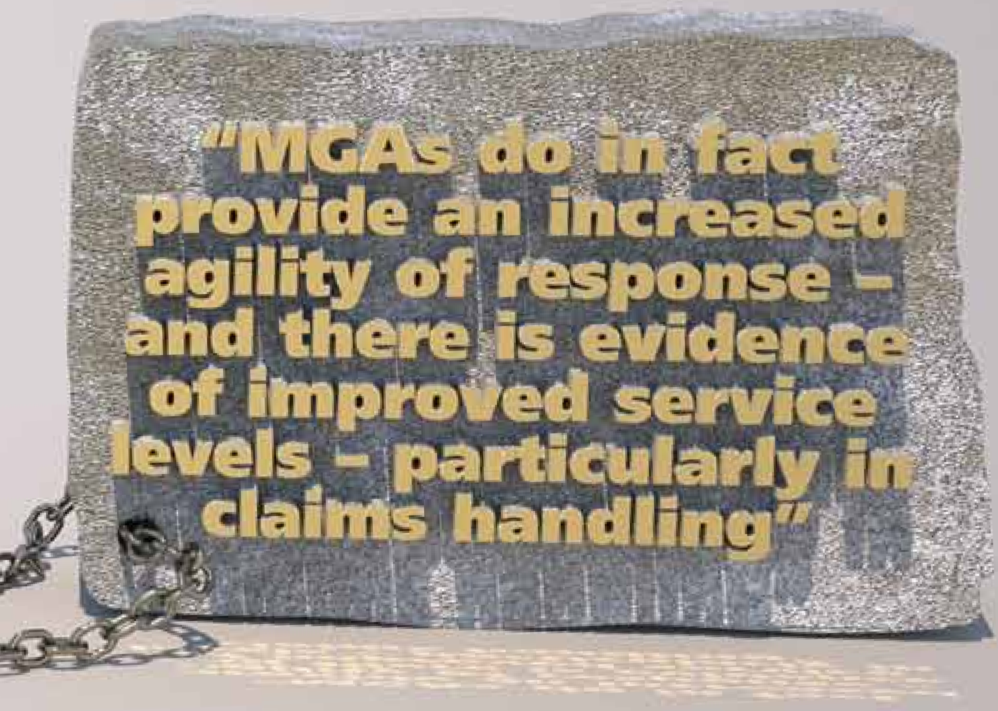
Towergate's Clive Nathan adds: "For us, MGAs are often about specialisms. For many insurers, having a small team focused on a business area which makes £5 million to £10 million does not make economic sense. There's just not enough there for them to absorb it into their structure. But we're happy to have, say, four people working on transit and cargo business, as long as it makes a good return for us and, as importantly, the insurer.

"But it's also about good service, and I see from the Insurance 360 survey that a lot of the companies that did better were MGAs. If you look at something like construction, we came out strongly, while the likes of RSA, with 300 years' experience, did not do so well."

"MGAs' businesses have to be entrepreneurial and simply better than their mainstream competitors, or they would not be able to compete. In all business areas they need to demonstrate systems and skills that larger insurance companies cannot replicate," adds Evergreen's Adam Boakes. "On this basis, there'll always be a position in the market, as they can provide efficient solutions and competitive edge to brokers and a position in the market that the insurer cannot. You just have to look at Peter Joy's recent survey to conclude it's the niche players dominating the top of the table."

A phenomenon of the recent rash of MGA start-ups which could also explain their success is their ability to attract high-quality staff, with many moving from larger insurers.

Asked what skills his business looks for when recruiting, Arista's Charles Earle says: "The staff skills that make Arista successful are all held by many employees in large insurers – after all, that's where our people came from. They made brave choices and made Arista the success it is. It's not that larger companies don't have good people, but they often put barriers in their way, don't provide as much opportunity for those skills to be applied and don't engage their people effectively."



"MGAs do in fact provide an increased agility of response – and there is evidence of improved service levels – particularly in claims handling"
Sian Fisher, OIM Underwriting

The bad publicity which the MGA sector has garnered and the fact that brokers often find it difficult to distinguish between these businesses and brokers with binders/wholesalers has seen recent talk of a trade body being set up to represent their interests, led by APC Underwriting Chief Executive, Brian Russell.

He comments: "Brokers are unsure exactly what an MGA is. Therefore, there's the need for an MGA Association for many reasons. I'd like to make it clear that MGAs are not insurance wholesalers, they're actively involved in policy production."

Another person involved with the working committee is OIM Underwriting's Sian Fisher, who adds: "There are longstanding and self-evident misconceptions about the difference between a full underwriting agency business and the many forms of 'delegation' of authority in the market. This is unhelpful in a regulated industry which is supposed to be transparent and fair to its customers. Regarding misconceptions, MGAs do in fact provide an increased agility of response – and there is evidence of improved service levels – particularly in claims handling."

Not everyone is certain of its ability to bring the sector together. Thistle's James Gerry says: "Unfortunately, because the MGAs are a disparate group, it can be difficult to imagine their needs being met by a single voice. Looking at the US example, the area where the AAMGA is most valuable to its members is in representation before regulators and lawmakers. In the UK, for the purposes of regulation, MGAs are treated as brokers, which is sometimes inappropriate."

Willis's Brendan McCafferty is even more unsure of its prospects, at least in the short-term: "At this stage, we don't feel that we need that type of representation. We have a compelling explanation of how our business model works, and our focus is on communicating this to our customers, not the rest of our industry. We also have strong relationships with our insurer partners and don't see any additional value that an industry body can offer in this regard, at least at this point in time. We believe our proposition is unique and different and that it will speak for itself, with customers and insurers with whom we are working."

Entrepreneurial

Looking to the future, many of those who have already carved a niche for themselves in this market predict that there are likely to be a number of new entrants as long as there are insurers prepared to put the effort in to help develop products for them. But whether brokers will see the level of start-up activity witnessed over the last two to three years is open to debate.

"The cost and hurdles of setting up a full insurance company or a new Lloyd's syndicate are now such that future generations of entrepreneurial underwriters are likely to use the MGA route," asserts Sian Fisher.

However, Charles Earle is more circumspect about the numbers, although he admits there will be some: "In a soft market and tough economic conditions MGAs' business plans, and their financial and insurer support, will be more considered; rather than quick, 'me too' start-ups.

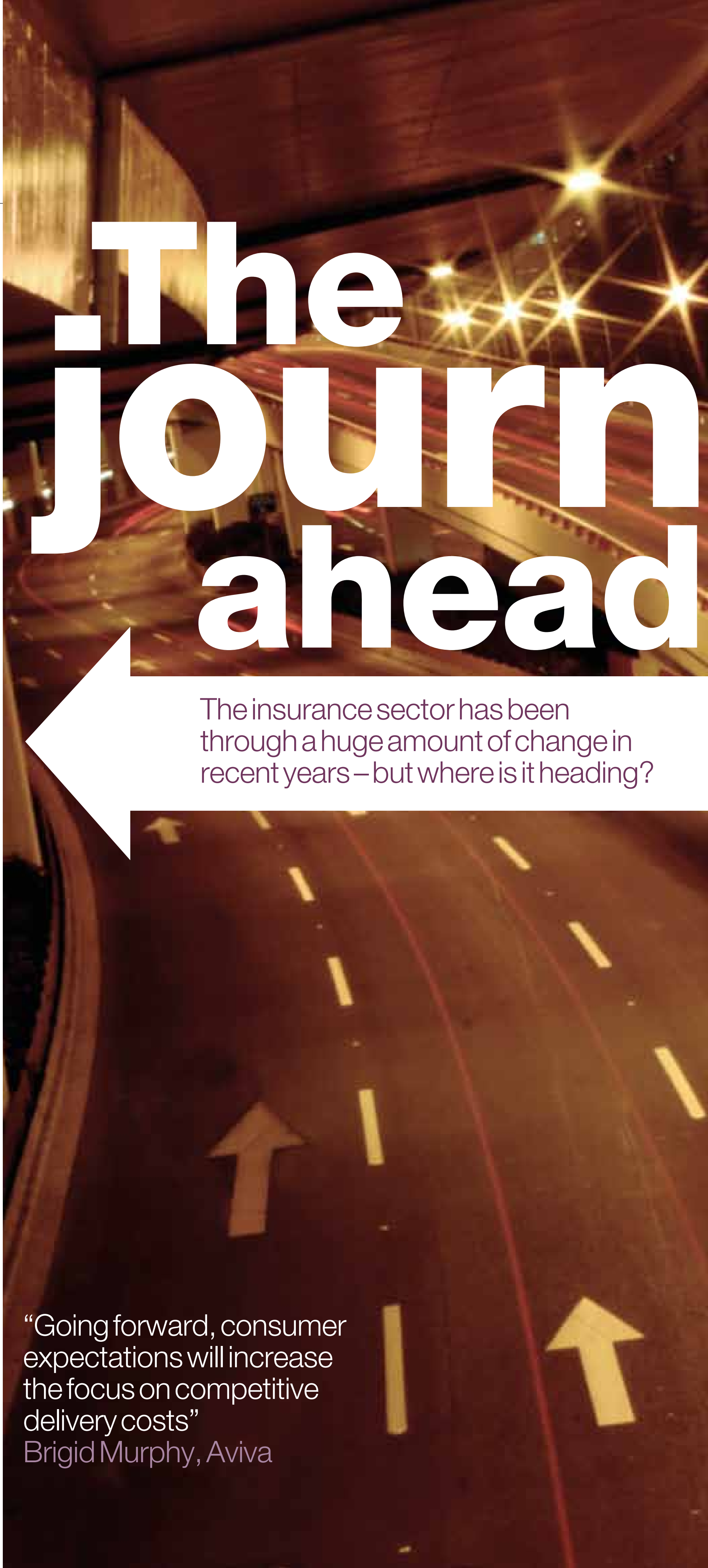
"This will probably mean relatively fewer MGAs being established. The UK insurance industry continues to see consolidation and change. The MGA format presents an opportunity for dissatisfied employees to stretch their entrepreneurial wings."

"I would assume that the business plan of any new MGA venture might be more closely scrutinised than it may have been a couple of years ago," agrees James Gerry.

"But my view is that there's always room, at any time, in any market, for any business that has a sound and well-conceived business proposition.

"Does the market need new start-up insurers right now? Does it need new start-up brokers? The answer is definitely 'yes' if they bring something new and different to the market. The same is true of MGAs."

The journ ahead



The insurance sector has been through a huge amount of change in recent years – but where is it heading?

Where do experts see the insurer and broker markets going, over both the short and long-term ? BIBA asked a group of professionals for their predictions.

The Panel

Amanda Blanc, Chief Executive, Towergate Partnership's UK Broking Division.
John Blundell, Managing Director, Sterling Insurance Group.
Simon McGinn, Director, Commercial Broker Markets, Allianz.
Brendan McManus, Chief Executive Officer, Willis UK & Ireland.
Brigid Murphy, Director of Trading, Aviva.

What are going to be the main issues for insurers going forward?

John Blundell: I see these as:

- providing the right products at a price the consumer will pay
- improving company service and efficiency, thereby reducing expenses
- assessing the commission which can be paid, given market constraints
- charging the right price to enable a profit to be made given increased claims frequency
- continuing to deal with the increasing fraud.

Brigid Murphy: Over the short-term, price adequacy remains the major challenge across the market as conditions continue to be soft in almost all segments. Going forward, consumer expectations will increase the focus on competitive delivery costs and those insurers with the most efficient delivery mechanisms will have an advantage. Brokers will increasingly demand true partnership behaviour from insurers and leverage their influence to change relationship dynamics to the benefit of their clients.

Simon McGinn: Securing distribution in a changing environment. Consolidators have stopped growing – spotting new trends in distribution that are driven by IT and technology platforms and withdrawing from areas of distribution with fewer opportunities will be key.

Second, current economic conditions and the availability of capital, despite more marginal results, suggest that we are entering a flatter insurance cycle. This presents a challenge in the way that we manage our books of business and should drive increased professionalism and account management at a more micro level.

Third, raising the retention of talent within the industry. Training and development is essential to equip future leaders with necessary skills.

> "Going forward, consumer expectations will increase the focus on competitive delivery costs"
> Brigid Murphy, Aviva

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> "We will continue to see consolidation only on a smaller scale"
> John Blundell, Sterling

Are we due for another round of insurer consolidation?

John Blundell: The sheer pace of insurer and broker consolidation historically has shaped the current landscape of insurance distribution and we will continue to see consolidation only on a smaller scale. It's inevitable because of the current financial climate, the increasing regulatory environment and the continued consumer pressure to drive down premiums.

Brigid Murphy: There are no signs of imminent consolidations though continued soft conditions will increase pressure on some players and could result in some modest activity. The entrance of new players, if combined with improved price adequacy, would mean that significant consolidation activity is unlikely and that the market will continue to have a degree of overcapacity for the foreseeable future.

Simon McGinn: I do not believe so. There may be some opportunistic purchases of companies in distress and some strategic buys, but not on the scale of that seen in the mid to late 1990s.

Is insurer security going to be more important for brokers?

John Blundell: Recent debates over the accuracy of some ratings underline the importance of brokers having a good understanding of the structure, solvency and financial security of the insurers with whom they deal. While the actual rating an insurer has is important, the movement in rating (given a more stringent approach to rating by the agencies) is also important.

Brigid Murphy: Good brokers have always placed significant importance on the financial strength of insurers and have educated their clients accordingly. Although most brokers and their clients are currently placing a higher priority on pricing, we expect that financial strength will increase in importance once the market stabilises and economic conditions improve.

Simon McGinn: Absolutely. We are already seeing that brokers are looking to demonstrate their credibility and professionalism by giving clearer recommendations around insurer security. Brokers won't always sell the highest level of security but it is a much more prevalent issue now than ever before.

Do you see the amount of business you do with brokers increasing or decreasing?

John Blundell: The amount of business we write is increasing substantially year on year as we work closely with brokers, provide the products and service they need, and deliver on our promises and endeavour to exceed expectations. We see the amount of business we do increasing, as we affirm our position as a market leader in the high net worth segment.

Brigid Murphy: We expect the awareness of the value that independent brokers deliver to their commercial clients in particular to increase, partly as a result of our efforts to educate consumers in this regard. The resilience of the independent broker distribution channel is directly related to their value to consumers and Aviva's long-term plans are to continue to build our relationships and to compete effectively for their business.

Simon McGinn: Allianz Commercial has a very strong proposition and it is our intention to grow and increase our market share. We view brokers as the key means of generating more revenue and profit across our business. We understand that, of all channels, brokers are best placed to offer expert advice to customers on their insurance purchases.

Do you see the MGA market expanding?

Brendan McManus: I don't think the MGA market is even close to reaching its full potential and it will most certainly grow. The insurance industry still offers too many generic propositions to customers, so there is a lot of space to expand. We set up our own MGA to give our clients unique products that fit their needs. It has also given us the opportunity to control every touch point with the customer and by so doing can ensure that the service delivered to them is best-in-class. Insurers and brokers like us are realising the great advantages and differentiation that MGAs can bring to their business and will no doubt continue to collaborate through this model.

Amanda Blanc: Short term, I don't see any signs of a let up – and this sector will continue to attract interest and develop. However, in the coming months, I think there will be clear differentiation in the market between those who run an MGA well and who are going to be around over the long term and those who have simply seen this area as the 'new black' but who don't have the ability and so won't cut it.

Should the FSA go, what should replace it?

Brendan McManus: I think that the FSA should stay and strengthen its resources by hiring more high-calibre people from the industries that it regulates. The FSA has done a good job on the insurance side. As a result of lessons learned and solid regulation, the general insurance industry in the UK has been relatively ring-fenced from the recent turmoil experienced by other financial services sectors. I don't think that a Government-run regime focused mainly on banking would be beneficial to the insurance sector – we'll be the stepchild that doesn't get any attention!

Amanda Blanc: There is talk (if the Conservatives win office) that the FSA will go. What should replace it and what is on your regulation wish list? Clearly, the big emphasis has been on the banks. Regulation is going to remain, even if the FSA goes, and currently I don't think the regulation of brokers or indeed insurers is a huge issue. As far as brokers are concerned, I don't feel the FSA has done a bad job – I can't see that scrapping the work it has done here is the right thing to do. And I think principles-based is the right way to go. I want those with responsibility for regulation to be aware of the great job brokers do and that they provide a great service – and as such, do not pose a high risk.


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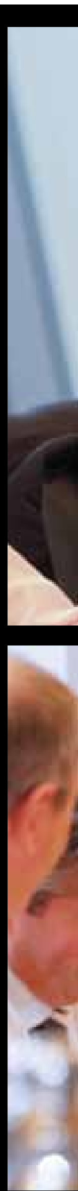
Bricks, mortar and beyond

Rachel Gordon attended BIBA's Property Committee/leading insurers' meeting and heard some strong views on what is right and wrong in the sector



BIBA's Property Committee recently hosted a round-table event, inviting insurers to respond to important issues affecting brokers in the market.

It was chaired by David Meur, who opened proceedings by asking those assembled for views on market conditions. He noted that insurers' balance sheets generally remained strong, despite the fact there was limited evidence rates were increasing.

AXA's Roy Watkinson commented: "Of course insurers would like to see rates go up, as they've been falling for so long. We're also seeing claims inflation go up and an increase in large fire losses, all at a time when economic activity, turnovers and business interruption sums insured have tended to go down."

Groupama's Paul Jenkin said he felt underwriters were turning the corner. "It's now more about wanting the risks where there is good risk management and security. It's going to become a lot harder for badly-run businesses – only those prepared to work with the insurer will get a good price."

Empty property hazards

David Meur observed: "The recession has resulted in more empty buildings – such as some of the Woolworths stores – and it's clear insurers are taking a harder look at what they'll provide cover for, even when there are no combustible materials."

Allianz's Peter Adlington said he was wary about empty buildings. "It is not just about combustible materials. The roof can deteriorate, you can get a big bill for cleaning up graffiti – there are other perils than fire."

Impact of large losses

Aviva's Mark Dunham commented: "Underwriters must not lose sight of the large loss provision. There are reasons to flex price, but ultimately, it's large losses, whether these are fire or weather-related, that are going to push up rates."

He continued: "We're now seeing average applied more because of the pressure on price. It's vital for brokers to help tackle underinsurance and to ensure clients have adequate business interruption insurance and appropriate indemnity periods."

Zurich's Jonathan Scotcher said: "We are keen to see more focus on sustainability of pricing. The erosion has been going on too long – we need to take a longer view. While reinsurers are not yet increasing prices, there is little funding in current premium available for catastrophes."

Above: Steve Foulsham, BIBA's Technical Services Manager. Right: The group in discussion

Above: Roy Watkinson, AXA Technical and Commercial Director. Below (left to right): Shaune Worrall, BIBA Property Committee Deputy Chairman; Peter Adlington, Allianz Commercial Property Manager and Mike Briggs, Consultant

David Corrigan from Mitsui Sumitomo added: "Clients who can demonstrate a continued commitment to risk management will maintain the support of insurers. Brokers should ensure risk recommendations proposed by insurers are given full consideration by the insured."

Cliff Vivier of Brit said: "It's crucial that brokers also encourage these and assist their clients in carrying them out."

Hard market will return

ACE's Rodger Glover said: "We won't be in a permanent soft market because it is a question of economics. Claims costs and other expenses associated with the business are increasing. The soft market has been with us for several years, but it won't last for ever. As in previous cycles, when it arrives the hard market is likely to be short-lived."

And Shaune Worrall commented: "It would seem while cycles have been around for nine years, it could move more to 14 or even 20 years."

Paul Jenkin said: "It's up to insurers to set the correct pricing; there's always the problem of the less scrupulous coming along or direct solutions. Why insurance is always about cheapest being best is a frustration." David Meur said he'd found this an exasperating part of the business for more than 30 years.

BIBA's Peter Staddon asked what impact contract certainty was having and Rodger Glover said there was now less slippage around terms and conditions.

Property Committee member Heather Lees then asked if insurers had views on new tighter exclusions for radioactive contamination.

Peter Adlington responded: "There has been pressure from reinsurers for a number of years – insurers can only resist for so long."

He explained that the new exclusion was basically for so-called 'dirty bombs', but buy back is available.

However, Heather Lees said insurers need to clear up any confusion in this area, saying: "It must be made clear if there's a gap as not all insurers have the same wordings – brokers must avoid clients being underinsured." David Meur added insurers had an obligation to flag up any new exclusions.

Swine flu uncovered

The topic then moved to notifiable diseases. Heather Lees said swine flu was not covered and neither had SARS been under current legislation. Mark Dunham responded: "We specify diseases we will cover – we must understand our exposure which is why we rely either on those listed in the Parliamentary Act or health authority guidance."

Cliff Vivier said there was not much concern from clients about notifiable diseases and few inquiries about swine flu. Peter Adlington pointed out: "We need to specify as we also have to protect shareholders. We can't insure against the great unknown."

Heather Lees added there is a scheme in existence to cover against pandemics and Jonathan Scotcher said: "It is up to each insurer to make clear what they cover and list the diseases they are covering."

Flood watch

Next was flooding and the forthcoming Flood and Water Management Bill. David Meur explained BIBA had been involved in the consultation process and was lobbying on:

- the need for social housing flood cover
- better signposting for those struggling to obtain flood cover
- the need for preparedness – in terms of advice, early warnings and support after flooding
- more emphasis on resilient repairs.

Steve Foulsham added BIBA wanted to see flood cover available as a matter of course for most properties in the UK but there should be better awareness of specialist brokers for those in flood-impaired properties and for insurers to take resilient repairs seriously.

David Meur pointed out new building regulations were not planned until 2013, so this would delay any mandatory action on resilient repairs.

Meanwhile, Mark Dunham commented: "Insurers are prepared to carry out resilient repairs where these are cost neutral. This could mean replacing carpets with other types of flooring or putting sockets higher up – but we also have to win the hearts and minds of customers – do they want their homes changed?"

David Meur said this was a fair point, but could there be other benefits of resilient repairs? "Without these, the resale value could also be affected." The issue of whether people would pay more for cover that included resilient repairs was raised.

Paul Jenkin said: "Resilient repairs could be product innovation for insurers – and a differentiator in cover."

Jonathan Scotcher added: "There could be scope to offer additional cover through brokers – subject to additional pricing." Peter Staddon said BIBA was in talks around this area about offering such cover as a bolt-on.

Business continuity matters

Steve Foulsham opened the topic of business resilience, pointing out BIBA research had shown low awareness among SMEs. He asked if insurers should help insureds more with business continuity plans.

Roy Watkinson commented: "This is an important area and there should be awareness about RiscAuthority's Robust downloadable product, which is freely available."

Paul Jenkin said: "With a small package product it is very hard to justify giving premium discounts – it's also hard to know if the BCP is going to work."

David Corrigan added: "It is important to establish if the BCP is current and regularly tested – without knowing how it works, how can you give discounts?"

Michael Briggs said: "Too often, companies are 'winging it' when it comes to BCPs. This area is a big challenge and I've seen few quality BCPs from SMEs. One I saw recently was an insurer's questionnaire – there was some good quality information in there, but it was insufficient. The problem is companies do not have the time or commitment."

Peter Adlington agreed: "A broker would need to convince the client of the need in no more than 45 minutes."

Cliff Vivier added: "We try to encourage surveyors to help with this, but information supplied can be sketchy – you need to tie in the help of people like the finance director and the works manager. In the current economic climate, SMEs may be run on a restricted budget."

Steve Foulsham emphasised that BIBA would not be giving up on its campaign to encourage SMEs to take business resilience seriously.

David Meur then provided a brief update on BIBA's work in encouraging insurers to listen to brokers' concerns if fraud was suspected. "Insurers think brokers are not interested – my message is involve us – we want to help.

It was then on to the newly established RiscAuthority – which replaced InFires – and Peter Staddon said BIBA wanted to forge close links with this organisation.

Michael Briggs concurred that issues around security are far too fragmented. "It covers everything from cash-carrying companies to door security to locksmiths – there can be little common ground. The insurance industry does not drive security, but is involved and we need more joined up messages."

"Insurers think brokers are not interested – my message is involve us – we want to help"
David Meur, Genavco

Top right: Mark Dunham, Aviva Head of Property. Above (left to right): David Meur, BIBA Property Committee Chair; Mark Dunham, Aviva Head of Property; Cliff Vivier, Portfolio Underwriter, Brit Insurance and Heather Lees of Marsh

CILA on business interruption

The final issue was business interruption and new guidance being spearheaded by CILA. Heather Lees said: "There is scope for improvement – for example, the term 'Gross Profit' has a different meaning for accountants and the CILA review group felt the term 'Turnover' or "Insured Profit" makes better sense.

Roy Watkinson added: "This work is overdue – I also think issues around 'declaration-linked' need a refresh, as does an average wording."

Peter Adlington said: "I would not want to see things go too far. Are things broken that badly – what is CILA going ahead with?"

However, Heather Lees then explained that while CILA had been elected to run the project, it would be looking at co-ordinating industry efforts for better and more appropriate business interruption cover.

As the meeting came to an end, brokers and insurers continued to talk – there was no doubt that there are plenty of topics to fuel the next meeting.

Who was there?

ACE
Rodger Glover, Property Underwriting Manager
Allianz
Peter Adlington, Commercial Property Manager
Aviva
Mark Dunham, Head of Property
AXA
Roy Watkinson, Technical and Commercial Director
Brit Insurance
Cliff Vivier, Portfolio Underwriter
Groupama
Paul Jenkin, Assistant Technical Manager, Property
Mitsui Sumitomo
David Corrigan, Property Underwriter
Zurich
Jonathan Scotcher, Underwriting Manager, Zurich Property Investors
Brokers from BIBA's Property Committee
David Meur, Chairman, (Genavco)
Shaune Worrall, Deputy Chairman (AUL)
Michael Briggs, (Consultant)
Heather Lees, (Marsh)
BIBA
Peter Staddon, Head of Technical Services
Steve Foulsham, Technical Services Manager

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Figures correct as at 31 March 2009

TOKIO MARINE GROUP

Graeme Trudgill reports on software house issues, including integration of new systems, mergers and acquisitions and motor vehicle validation technology

Software houses play a vital role in keeping information and cash flowing through a broker's business and BIBA's Motor Panel meets with them on a regular basis to discuss issues key to our sector. These are some of the major talking points on our agenda and how we see the current landscape shaping up.

Which software house?

Brokers often stay with their software house for many years, thinking it is near-impossible to consider changing to another, as to unravel their system and transfer the data is a big cost and hassle. However, advances in technology mean that changing is now much easier. So should a broker risk making the change?

Jack Brownhill, Director of World Motor Insurance Consultancy, is a specialist in advising brokers on software houses and comments: "As brokers grow and diversify, their systems need to be able to keep pace and help to drive down costs. The relentless charge of compliance and regulation is also placing increased demands on brokers, their systems and processes. Electronic links with trading partners are increasingly a prerequisite for brokers to access a growing number of products and providers, often providing the only access to the most competitive rates and the ability to process the policy and download quote/policy documentation in real-time."

Mergers and acquisitions

When brokers merge, there is often the inevitable problem of running two systems for a while, choosing which one to keep and then how to manage the data migration to the preferred system.

David Kelly, Business Development Director for Open GI, says: "The best advice to brokers is to work as closely as possible with their new system provider to ensure a seamless transfer. They will hand-hold you through the process. It's also a good idea to cleanse any data which may have a limited shelf life, such as prospects, in order to avoid transferring redundant and outdated information. We would recommend

"It's also a good idea to cleanse any data which may have a limited shelf life
David Kelly, Open GI

Solutions for the **road ahead**

informing insurers and finance providers of the relocation of data and completing the accounts reporting process at the point of transfer, along with taking a back-up."

Jack Brownhill adds: "Mergers and acquisitions provide an ideal and important opportunity for a broker to reappraise its technology requirements and its software house relationship(s). Moving important data has its risks, and it is crucial that any such move is completed without losing or corrupting any data and maintains as much history as possible. A robust plan needs to be in place and this plan must be formulated and agreed between the broker and all the relevant system providers. This must allow for data to be secured so that it can be restored on to the original system if any problems are experienced during migration."

Vehicle and address validation

The police now use the Motor Insurance Database (MID) between 50,000 and 65,000 times a day and have confiscated nearly 500,000 vehicles over the last three years. With the new system of continuous insurance enforcement (CIE) starting in Summer 2011, it is becoming even more vital that client information is accurate on the MID.

One of the more recent developments that can help with this is "vehicle validation". Many software houses now include a system of vehicle validation, where if the vehicle's registration is input into the system then the actual vehicle details are generated and can be checked with the client, significantly reducing the volume of keying errors. Many software houses, including Open GI, have launched these facilities in the last 12 months. David Kelly of Open GI says: "Vehicle validation is a good tool for brokers as it saves them time identifying a vehicle and prevents errors. Most houses, including SSP, CDL, Acturis, Insurecom and Transactor now have this function, at a cost of a few pence per look-up."

Meanwhile, Sarah Tuckwood, Account Manager at the Motor Insurers' Bureau (MIB) says: "We are working with all insurers to reduce the volume of mistypes occurring on the Motor Insurance Database (MID). Data integrity needs constant attention and vehicle validation is an efficient way to address the issue of mistypes.

"Mistypes can create duplicate records on the MID, but can easily be avoided. Identifying all the mistype information will be carried out monthly by comparing the make and postcode of the MID records with those on DVLA's Vehicle System Schedule (VSS) as well as the keeper's postcode held by DVLA. In future, MIB intends to give insurers regular reports containing mistype information and what the amendment is likely to be."

At the moment, most direct insurers use the vehicle validation facility, as well as those brokers that participate in internet trading, but many regional members do not. It appears that concern over the cost was the main deterrent, but with costs now much reduced – a matter of pence – and the benefits saving time, reducing potential Professional Indemnity claims for errors and improving validation, they are now more popular.

As Eamonn Browne of the BIBA Motor Panel comments: "My main fear is a client having their vehicle confiscated at the roadside by the police due to a simple keying/typing error."

Know your software houses

Provider	Incorporating	Number of Brokers	Year Started	Contact number
SSP	Sirius/Northpark	1,200+	1984	01422 330022
Open GI	MI Ltd	2,000	1979	01905 754455
Acturis	N/A	250	2002	020 7079 4000
Transactor	N/A	80	2003	08454 585656
Insurecom	N/A	700	1999	01273 852000
CDL	N/A	100	1977	0161 480 4420

The BIBA Motor Panel meets on a quarterly basis and any queries should be sent to Graeme Trudgill at trudgillg@biba.org.uk

Graeme Trudgill is BIBA's Technical and Corporate Affairs Executive

Keeping on top of bad debts, maintaining profits and email security are this issue's water cooler moments…

Show me the money

Cash flow is the lifeblood of a business and particularly when times are tough, the last thing any broker needs is to find themselves hit by late payment problems.

Effective credit control management is often not easy for smaller brokers because they may not have a dedicated accounts manager. But even if the principal has to take responsibility, this is an area where it really does pay to have good procedures in place.

This can be in terms of using technology, but also having clear protocols as to when you should start chasing late invoices and when to call in outside help. Fee-paid brokers may find it awkward chasing late-paying clients – but they should not have any qualms about this – payment terms must be spelt out in advance. Other tips include:

- make sure the customer understands payment terms. If you have a problem client, consider reducing the term
- credit check customers – use an online agency, Companies House and the Insolvency Service
- obtain recommendations, if possible – you may hear of problems from others
- being paid by BACS provides greater certainty than cheques
- legal expenses insurance can be useful if you need to pursue a debt.

John Needham, Partner with accountants Littlejohn, comments: "Smaller brokers may not have a dedicated resource to carry out credit control activities. It's time-consuming and may not be priority until material items become really overdue – by then, it may be too late. Credit control is a continuous process and those dealing with the issues need to understand the underlying causes of delays to handle clients effectively."

He says within some larger brokers, those on the sales side may be keen to get as much business as possible even if a client pays late – which means good communication between accounts and producers is essential.

He adds: "In particular, in the London market, chasing debts is fairly complicated as there can be interactions between clients, insurers, sub-brokers, currencies and both debt and credit balances. The firm needs to keep on top of things from day one. To start clearing old balances is quite a task."

Clearly, brokers who receive remuneration via regular commission payments from insurers are in an easier position – but mistakes can happen and the best way to avoid this is to know exactly what is owed and when it will be paid.

Bob Darling, a Director at Coversure, says the brokers who own franchises with his company rarely have to worry about late payments since this is handled centrally and that supplied systems also help manage cash flow.

He is also a firm believer in the benefits of premium finance. "The finance company should chase the debt – brokers have better things to do." He adds if a client wants to pay in instalments they should be encouraged to use premium finance. "There are still a few brokers who take instalments directly – but acting as a lender isn't a wise move."

Andrew Jones, Head of Operational Finance at the Broker Network, says: "This is an issue more brokers are looking for guidance on. We recently started working with a firm of specialist solicitors who offer debt recovery services at preferential rates for our members. It may not be necessary to use a solicitor that often, but it can secure a quick resolution."

He agrees premium finance makes sense and that brokers should also find out about clients before accepting business from them. "Who is going to be paying you? Do you know they are solvent? What steps will you take if they are late? Are you dealing with a limited company or one that is not limited? Spending a bit of time being organised can be worth a lot in terms of effectively managing your business," Andrew concludes.

"Credit control is a continuous process and those dealing with the issues need to understand the underlying causes of delays to handle clients effectively"
John Needham, Littlejohn

Make email security a top priority

In recent years, email has become the dominant form of communication in business. From routine messages between staff to one-off make or break communications with clients, keeping email secure and running efficiently is critical.

One of the biggest threats to email systems and IT infrastructure is malicious incoming emails, says Peter Kennett, director at IT consultancy, ISG-IT, which advises both BIBA and a number of brokers.

He says protecting and mitigating against this threat is vital. "An entire company's IT system can be brought to its knees if the correct email security is not in place. From full system crashes, to leaking of confidential material, the economic and reputational cost can be substantial. Knowledgeable IT professionals can provide a toolkit that counters these threats."

He continues: "We've all had emails telling us about winning a lottery we never took part in or a long-lost relative's inheritance we are in line to receive, though nowadays, these are easily spotted as spam and avoided."

He adds senders of malicious mail have evolved far beyond these early scams and have taken to targeting networks with 'malware', namely viruses, worms and trojans.

"Emails are now the carrier of choice for transmitting malware and as such email security should be a top priority. By making use of the IT department and third-party experts, brokers can keep up to date with the latest changes in threats and take appropriate mitigating actions – and be in a strong position to counter this ongoing danger," Peter concludes.

ISG-IT's tips on email security:

- **spam protection** – cuts out the majority of unwanted mail and saves not only staff time going through unwanted email, but also reduces strain on IT systems. Spam emails are also often infected with damaging material
- **alerting users** – usually, malicious content within an email is found within an attachment or link to an infected website. Educating users to avoid downloading unknown attachments, following links from an unknown senders or circulating emails from friends can help to prevent the malicious content accessing a network
- **anti-virus software** – if a virus gets through, anti-virus software should be in place across the network to locate and delete the material. Regular automated scans of IT systems should take place and all updates to the software should be made whenever available. Out of date anti-virus software provides little protection.

Strategy

Brokers are trading through an extreme and prolonged soft market, battling with the credit crunch and coping with the effects of a deep and prolonged global recession. There is intense regulatory pressure and insurers are doing all they can to attract direct business through aggressive advertising, online offerings and dual pricing.

Brokers who would like to expand through acquisition will encounter real difficulties in finding viable funding, while those who may be looking to cash in their equity will have learnt a great deal over the last 12 months about what has been happening to average multiples – many are now holding an asset which is declining in value.

However, to misquote Mark Twain, when it comes to brokers, 'Talk of their death has frequently been greatly exaggerated'. The challenge is, how can rewards be increased and the asset value be grown?

Almost without exception, brokers can increase both their revenues and their profits. Consider why the major consolidators have been prepared to invest heavily in buying quality brokers – it's because they recognise the potential for profit improvement and know how it can be unlocked.

Increases can be achieved without any need for cost-cutting. This is not about shedding jobs or reducing service to clients. Quite often it's precisely the opposite.

However, most brokers simply don't know how to identify and realise this potential improvement in business performance. There are complex techniques involved in unlocking the potential and the methodology is not something one would naturally build for oneself.

Hansen Young Consulting, for example, helps brokers deliver increased profitability and increase asset value – as well as assisting brokers access funding. Typically, brokers are shown how to achieve at least a 40 per cent increase in profits.

Brokers should also focus on ways to develop and deliver more effective sales performance, as well as increasing client retention. Existing customers are more profitable than new ones. Segmentation, streamlined processes, structured approaches to increased product sales per client, client referrals and a professional approach to customer relationship management are just some of the areas that bring success.

Nigel Morris (left) and Andrew Linnell, of Hansen Young Consulting

A superior selection

Group personal accident and business travel, excess public liability and marine cargo insurance are top-quality additions to the BIBA members' exclusive portfolio, says **Steve Foulsham**

The perfect perk

In this current difficult economic climate, protecting assets is an important strategy and key if a business is to maintain maximum effectiveness. Ensuring that the employees of a business are protected is one step which can be taken.

BIBA and ACE European Group have developed an exclusive scheme for BIBA members and their clients.

The BIBA Group Personal Accident and Business Travel Scheme has been designed to give businesses a comprehensive solution for their personal accident and business travel needs and limit any financial impact which may result from an employee being unable to work. This cover also extends to the insured's family to cover potential costs incurred.

ACE is the market leader in accident and health and travel insurance and has many years' experience. With an innovative approach and fresh thinking, ACE has incorporated the following key benefits into the scheme:

- a 7.5 per cent BIBA members' scheme discount
- an exclusive, market-leading product and wording
- direct access to underwriter and assistance service, including International SOS and Red24 security advice
- individual claims case management
- variable commission levels selected by the broker up to 30 per cent
- no minimum level of support.

The scheme also includes single trip, multi-trip and group business travel. In addition, injury and travel cover can be purchased together or as stand alone policies. All claims are dealt with in-house from ACE's service centre in Glasgow, providing a claims service recognised as one of the best in the market.

ACE has made it easy for cover to be placed; only basic information is required. There are underwriting teams in London and Crawley that offer broker support for online and telephone quotations and queries, to ensure market-leading cover, at competitive premiums, with the minimum of fuss.

To find out more about the BIBA Group Personal Accident and Business Travel Scheme, please call the dedicated team on 0800 519 9910, or email biba.pat@acegroup.com

Cover that's plain sailing

Charting a safe course through the complexities of cargo insurance can be a daunting prospect, so the new BIBA scheme product, CargoSprint from Northern Marine Underwriters (NMU), benefits members by offering:

- a no-nonsense wording based on the very latest 2009 versions of the Institute Cargo Clauses, without the myriad clauses that clutter many cargo wordings, yet offer little more than window dressing
- a web-based trading platform that allows free-format risk presentations, rather than requiring the completion of inflexible forms, allowing business to be transacted with the minimum of fuss; and the contract certainty of first a PDF quotation and then PDF policy documents as soon as a risk is bound.

Once members have a user account, which is arranged in a similarly trouble-free manner, the underwriting process is straightforward:

- members submit new business enquiries online
- underwriters respond via the system with either a quotation or a request for additional information
- upon a request to bind cover on the terms offered, there is acceptance of the risk and immediate delivery of policy documentation
- subsequently, users have the ability to examine premium invoicing and statements of account and access other real time client information, all online.

To assist members in securing and retaining marine cargo business, help is always at hand to answer those tricky questions that clients often ask, as is training, to ensure that members can use the platform to its full potential.

Although the CargoSprint product is delivered electronically, both BIBA and NMU recognise that members still find value in the face-to-face support that only local underwriters can offer.

For less straightforward risks, NMU has local underwriting teams right across the UK, in Glasgow, Leeds, Manchester, Birmingham, the Home Counties, London and Kent, putting expert advice and assistance right on members' doorsteps.

Members will also have access to NMU's in-house risk management team, which manages surveys of storage premises and regularly publishes advice sheets on risk control and loss prevention topics.

To find out more about the BIBA NMU CargoSprint scheme, please email peter.oddy@nmu.co.uk, including "The Broker Magazine Winter" in your subject line.

It's the top-up you need

With the public sector ever-expanding, contractors of all sizes are routinely required to have a minimum of £10 million of cover when dealing with councils and local authorities. In the private sector, many SMEs are finding that their clients are under pressure from their own customers to restrict their business relationships to firms who have a certain level of cover. For example, large corporates, such as supermarket chains, are routinely demanding minimum coverage of £5 million from their suppliers, contractors and those further along the business chain. In addition, defence costs, the size of awards and the frequency of large losses are all increasing, which inevitably raises the probability of corporate bankruptcies.

Against this backdrop, primary insurers are not always able to provide the cover that businesses require. CNA Europe and BIBA have worked in partnership to design CNA Excess, a user-friendly and efficient way for brokers to quote and bind excess public and products' liability cover online. Available exclusively to BIBA members, CNA Excess can provide cover for over 1,600 types of business – spanning almost every aspect of the UK economy – with up to £10 million of additional cover beyond the underlying limit. It is available online to small and medium-sized businesses with turnovers of up to £50 million, and larger businesses can often be accommodated.

The online facility accepts all major insurers' wordings and allows brokers to bind mid-term endorsements and manage renewals online. An expert team of CNA underwriters is also always available for consultation.

CNA Excess's simple to use system is available 24-hours-a-day, 365-days-a-year. It allows brokers the control and convenience to respond quickly to their clients' needs. For example, policy documentation can be produced on demand, which is increasingly important for companies working on public sector contracts. Cover is flexible, with short-term contracts catered for, and clients benefit from low minimum premiums.

To find out more about the BIBA CNA Excess scheme, please call Louise Shone at CNA on 0161 242 4445 or email cnaexcesssupport@cnaeurope.com

Steve Foulsham is BIBA's Technical Services Manager

Will blue be the colour?

A change of Government could mean a different system of regulation for brokers – and BIBA wants to ensure it's as favourable as possible, explains **Steve White**

Mark Hoban MP, Shadow Financial Secretary to the Treasury

It is quite rare for a White Paper from an opposition party in the UK to create much discussion in the insurance sector. However, the Conservative Party's White Paper *From Crisis to Confidence: Plan for Sound Banking* has done just that and more.

The global financial markets crisis of the last two years has led regulators and governments to fundamentally rethink the structure and style of regulation. The UK has seen its share of such activity. A variety of papers have been issued and opinions expressed, but it's the views of the party seen by many as the 'Government-in-waiting' that have generated the most interest and debate.

So, what are the Conservatives planning? The White Paper sets out proposals to abolish 'the failed tripartite system' and give the Bank of England responsibility for maintaining financial stability. The Bank of England would assume the prudential regulation of all banks, building societies and 'other significant financial institutions'. The paper also proposes to abolish the Financial Services Authority (FSA) and create instead 'a strong new Consumer Protection Agency (CPA)'.

"The White Paper sets out to give the Bank of England responsibility for maintaining financial stability"

Radical plans indeed, so it comes as no surprise that the paper has generated so much debate. The White Paper, however, doesn't provide great detail, nor does it make more than passing reference to insurance intermediaries. It is this lack of detail that has led to much of the debate and uncertainty.

So how has BIBA reacted to the White Paper, and what would it like to happen next?

BIBA wrote to Phillip Hammond MP, Shadow Chief Secretary to the Treasury, stating: "Like you, we are keen to improve the level of consumer protection in the financial services sector. That said, we have a number of comments about the potential impact of these proposals on BIBA members, many of whom are, in effect, small businesses. There are significant differences between the banking and insurance intermediary sectors and we have some serious concerns about the appropriateness of these proposals."

Our letter set out four fundamental concerns:

- **cost** – UK insurance intermediaries are already subject to the highest regulatory cost burden in Europe and BIBA could not support a proposal which involves further cost increases for members.
- **proportionality** – BIBA is concerned that simply passing the prudential regulation of larger intermediaries to the Bank of England would subject these firms to unnecessarily stringent regulation, designed primarily around banking institutions.
- **small firms** – BIBA is concerned that by using two different authorities to supervise the prudential regulation of insurance intermediaries, a potentially fragmented approach will evolve, to the detriment of the UK broking sector.
- **Europe** – The Insurance Mediation Directive requires the registration of insurance intermediaries by a 'competent authority'. While the FSA is not perfect, they do now have some understanding of the insurance industry and intermediaries. The White Paper proposals seem to treat insurance intermediaries as an afterthought, rather than designing an appropriate and proportionate regime for this important sector.

BIBA met Mark Hoban MP, Shadow Financial Secretary to the Treasury, to whom we pointed out that our criticism of the current regulatory system centred on insurance intermediaries being 'shoe-horned' into an existing regime built around banking and investment institutions. We urged him to give due consideration to creating a more appropriate, proportionate and less burdensome regime for insurance intermediaries, pointing out how out of line with the rest of Europe the current system is for our members. We asserted that, as insurance intermediaries present no systemic risk, the most appropriate solution would be regulation by the CPA.

The Conservatives do not plan to announce the next level of detail behind these plans until after next year's general election, but BIBA will continue to engage with their advisers and policy makers to ensure members' views are considered.

Steve White is BIBA's Head of Compliance and Training