Winter 2008 Issue 35 the magazine of the British Insurance Brokers' Association

the broker

Insurers in the eye of the storm

Extreme weather challenges for global underwriters

Tackling social exclusion
Specialist brokers break down the barriers

French connections
Laurent Matras takes over at Groupama

Many-sided *Manifesto*
BIBA's campaigning issues for the year ahead

the broker

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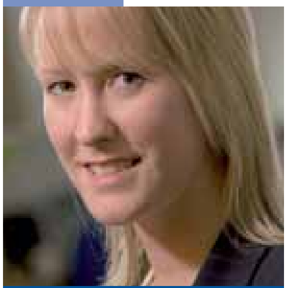
WELCOME

I like a bargain as much as anyone, but it does frustrate me that, in the insurance industry, there is so much emphasis on finding the lowest price and that this is all that matters.

Peter Staddon, BIBA's head of technical services, and I recently went to Belfast, where we held meetings with the Consumer Council and several journalists. It is certainly unfair that prices for cover in some areas – motor is a key example – are sometimes higher in Northern Ireland and we will do all we can to level the playing field. In fact, Belfast features in one of the issues in our *Manifesto*, which we reveal on page 19.

While we firmly believe that insurance cover should offer best value, we did need to put the record straight in a number of areas. Simply buying the cheapest insurance policy is not a sensible strategy. Appropriate cover is available from a broker who offers quality cover and we wanted to get this message across.

It is clear that consumers in particular are still not fully aware of the benefits of using a broker – even though there are some excellent broking firms in Northern Ireland and they have loyal customer bases. We will continue to emphasise that some of the 'cheap' direct cover available is inferior – and that it is value and service which are the most important factors in this crucial purchase.



Leighann Burtrand
Editor of *the broker*

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Eric Galbraith, BIBA's chief executive, speaks out on key matters for members

As I write this, we're waiting to see what impact the multi-billion bailout of the banks will have on the economy.

These are uncertain times – there is unprecedented share volatility, a recession and a depression may be on its way, with unemployment rising.

On a positive note, many clients are looking for guidance, and the protection of assets and liabilities has never been more important.

Brokers should not bailout banking failures

One of the most pressing concerns right now is to seek clarity on the obligations for insurance brokers under the Financial Services Compensation Scheme (FSCS) and to continue our fight to have the cross-subsidy removed, or at least reassessed. I am convinced many brokers are appalled at the prospect of paying increased levies as a result of banking failures – see the compliance article on the fight for FSCS fairness (page 33).

Commission disclosure – welcome news on the horizon?

Finally, it looks as if we are close to reaching a BIBA-led market solution to commission disclosure. Certainly, the FSA has its hands full right now, as it responds to the current economic turmoil affecting the UK, but I am hoping for an official announcement shortly.

To my mind, the ongoing investigations into this area have been time-wasting for brokers and I am sure the regulator could also have dedicated its resources to more productive areas. With little detriment to customers – not least because broking is so competitive – this has dragged on needlessly. Now let's get the solution out into the market and get on with the job.

BIBA – here for all our members

As members will have noted in the trade press, it has been announced that there are plans to set up a new trade body for London Market brokers involving international wholesale and reinsurance business.

BIBA will continue to represent the UK broking and intermediary sector. In future, it will have much more focus on the large volumes of UK domestic business placed into the Lloyd's and London Market on both a wholesale and direct basis.

BIBA will remain the voice of the sector by representing all UK general insurance intermediaries with key industry stakeholders and regulators both in the UK and Europe, including consensus-building in Europe through its membership of the European Federation of Insurance Intermediaries (BIPAR).

Email Eric Galbraith at galbraithe@biba.org.uk

Why join a network?

Two brokers who are BIBA members explain their positions

Nick Ashby, director,
Ashby Wray & Partners

Dominic Trigg, director,
Christopher Trigg Insurance Brokers

Ashby Wray dates back to 1922 and three family generations have run the business – the current co-directors are my brother Andrew and myself.

Since those early days, part of our evolution has involved looking after the insurance needs of haulage contractors. We retain this business specialisation today, along with other specialist areas, such as construction, property owners and other commercial risks.

Around five years ago, we decided to look at network options. The catalyst occurred a few years before, when we lost a client whose business we had held for around 60 years. We have always enjoyed loyalty from our clients, but on this occasion, we had lost out to a larger broker with whom our client perceived they would get both a better deal and service.

With larger accounts we received reasonable levels of service from insurers, but with new business it was either hard to obtain a quote in the first place, or if we did, then we could expect second-tier levels of service.

We did not want to go down the road of consolidation, but we felt our influence diminishing. We conducted a thorough analysis of what was available and which option would be most advantageous to us. This involved looking at the likes of The Broker Network, The Willis Network and Layton Blackham and we spent a lot of time carefully weighing up what was on offer.

Cobra calls itself 'The Independent Broker's Independent Network' and we benefit from quality agencies and compliance support and importantly, it does not charge fees.

We also like the fact we now get a first-tier service from insurers and that we can access a Travelers' agency, for example, which allows us to pitch for specialised risks as and when the need arises.

We were not expected to change our name or our way of dealing with clients – although we do need to place around 60 per cent of business with Cobra. So far – and we joined in 2004 – this has not caused any problems because we were already placing that sort of level of business with the panel insurers anyway. We like to think we are associated with service and professionalism and, because Cobra has high standards, it was the right fit for us.

We like Cobra's way of working. It has delivered and we feel part of the team. And, by the way, as a direct result of being a Cobra member, we won that client back!

Christopher Trigg was founded 36 years ago by my father – who still works for the business – and we have moved from being a personal lines specialist, to handling far more commercial business.

Alongside corporate, we also have a large property owners' account and a growing high net worth book, as well as offering financial services.

I like being able to make decisions and being in control of the business – our goal is to remain independent.

Success comes from the service you provide and having strong relationships with insurers. We've been able to achieve this. In my view, it's important to spend time on developing good relationships with insurers and letting them know if you are satisfied – or not.

For example, we work closely with AXA's Bolton office. I cannot fault them and don't mind saying it!

I would not rule out joining a network – it can be a good idea. We all have a duty of care to our clients to provide them with the best cover, and if this could only be achieved by joining a network, then we would consider this.

But currently, we don't need to join a formal network. I do think it is important to stay in touch with what is around and to work with other organisations, however.

We use Countrywide, for example – it provides some good products, but you are not obliged to use them.

I have found also the services of UKGI beneficial. It is not a network and you don't have to commit to them, give them minimum levels of business or give up your own agencies. But I do find its compliance support particularly effective as it helps free up my time – all brokers need some guidance in this area on occasion.

It is said that smaller brokers can have a tough time in the current market. I would disagree this is necessarily the case – we are doing extremely well. I am also aware of cases where brokers have merged and the business has lost its way – which can be good news for us.

I like the fact we can actively choose which insurers we work with and we have found both smaller and larger insurers receptive. For example, we recently negotiated an exclusive household deal for our clients with Sterling. There are a lot of opportunities right now – I'm positive about the future.

Two BIBA awards are currently accepting entries and have appeal to those with limited experience and those who have made an outstanding contribution to the broking industry

Young Broker of the Year Award – for tomorrow's leaders

Entry details

The deadline for entries is 24 March. To submit an entry, the candidate's CV should be emailed to the appropriate regional executive.

Scotland and Northern Ireland
Clive Hurn
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Yorkshire & Northern
Ian Raper
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Merseyside & West Cheshire and Greater Manchester
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East Midlands and Anglia
Jo Morgan
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West Midlands
Bob Darwin
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West of England and South Wales
Barry Blakely
blakelyb@biba.org.uk

Central and South East
Diane Smyllie
smyllied@biba.org.uk

The Young Broker of the Year Award 2009 is the ultimate accolade for a rising star within the broking industry.

The winner of the award and two runners-up will be presented with prizes at next year's BIBA Conference, *Delivering Value*, which takes place in Manchester between 13 and 15 May.

The award is sponsored by the Sheikh Abdullah Foundation and offers a first prize of £1,500 to the winner and two runner-up prizes of £500 each.

BIBA's membership manager, Paul Garland, comments: "It's so vital for brokers to encourage their younger members of staff – as we all know, talent is at a premium."

Entry is only available to BIBA members and entrants for the awards should be aged 35 or under and have at least three years' industry experience.

Their nomination should be made by a manager. "We have tried to make the criteria as flexible as possible and I would add that the applicant can be either an employee or a director or partner, if relevant," adds Paul. The winning entrant should be able to show at least one of the following:

- increased sales/production – for example, if they introduced/oversaw a profitable scheme or new product launch
- innovation – for example, if they introduced an initiative that saved the firm money and made a real difference to the business
- compliance – for example, if they delivered a workable and comprehensive compliance regime that all members of staff bought into, which was delivered on time and to budget
- training – for example, if they were involved in staff training and have a clear record of achievement and improvement in staff performance
- leadership qualities – for example, if they turned around a moribund situation or opened up a new area successfully.

The winning entrant could also be expected to show either one or all of the following: effective management skills, exceptional team sprit, outstanding examination success and/or the contribution of technical ability.

The Francis Perkins Award – for unstinting service

The Francis Perkins Award was created for those who give much appreciated effort in working for BIBA on a voluntary basis.

According to chief executive, Eric Galbraith: "Francis Perkins was BIBA's first chairman and he set up this award to salute those who give up their time and energy to further the association. I would urge anyone who serves on a regional committee to nominate a fellow broker who they feel would deserve this. It is a very special way to thank them."

The trophy will be presented at conference in May. Last year, the award was won by Clive King and presented by the current BIBA chairman, Derek Thornton.

The straightforward entry form is on the BIBA website **www.biba.org.uk** and Eric adds: "I would invite those nominating colleagues – or even those in other broking firms – to simply tell us why someone has given up their time to work for BIBA. We need to know any particular achievements and details of their personal qualities. You may also wish to share a few anecdotes. We know that many put in hours to make our association the success it is – and they deserve recognition."

Promoting brokers in Belfast

BIBA's head of technical services, Peter Staddon, and communications manager, Leighann Burtrand, visited Belfast recently to discuss ways in which brokers could best serve the Northern Ireland community.

Peter and Leighann met the Consumer Council for Northern Ireland and its head of money affairs, Julie Megrath. The organisation has recently commissioned the Financial Inclusion Centre to undertake research into the local insurance market.

This research found that motor insurance, for example, was invariably more expensive in Northern Ireland than in other parts of the UK, buildings and contents were at times more expensive, as were life and health cover. Leighann comments: "One of our *Manifesto* aims is to ensure that consumers are aware of the availability of cover, particularly through brokers.

However, our message to the Consumer Council is that cheapest insurance is not always best and that there needs to be more education in this area. In particular, there are some excellent brokers around to serve local people and we want to make sure that people understand the advantages they bring. We also talked about the Find a Broker facility on our website, which ensures that consumers can find a BIBA member nearby."

BIBA also met board member Peter Kelly, who is head of office at Marsh, to discuss ways in which access to insurance across Northern Ireland can be improved.

BIBA's e-certificate campaign is a success

At long last, and as a result of a sustained BIBA campaign, the Government has confirmed that electronic motor insurance certificates should be permissible from spring 2009.

Recently, BIBA's corporate and public affairs executive Graeme Trudgill met Adam Afriyie, the MP for Windsor and Shadow Minister for Innovation, Universities and Skills.

Graeme comments: "After lobbying hard for two years, we were frustrated by the Government's lack of action.

"As a result of several Department for Transport (DfT) meetings, we knew that e-certificates were universally supported, and this was confirmed by the Minister publicly in November 2007, but we had no clear idea on when they were going to be introduced.

"We explained the issue to Adam and he subsequently put the Government on the spot in the House of Commons and demanded a response."

Following the question, Transport Minister Jim Fitzpatrick said: "The issue is being dealt with urgently and we intend to have regulations in place next spring."

Graeme adds: "E-certificates make sense on a number of fronts. They will save brokers and insurers time spent on producing them, money on postage and paper costs.

"They are also much better for the environment. We are now having further meetings with the DfT to discuss implementation. The key areas to be finalised are how to surrender an e-certificate when a policy is cancelled and fraud prevention."

Initial estimates of savings to insurance industry indicate they could be at least £11 million. E-certificates bring all-round benefits – motorists can see their certificate details anytime they have access to email. It will also speed up delivery to the customer, particularly if they are in a car showroom waiting to drive away their new car.

Adam Afriyie, the MP for Windsor

PRESS BRIEFING

And you think it's bad for you…?

Ben Marquand says his readers are going through the wringer…

It would not be an understatement to say the world of the mortgage broker has come crashing down in the last 12 months. The anniversary of the 'credit crunch' sees the average broker in much-reduced circumstances.

They have gone from being on top of the world and having mortgage lenders launching wave after wave of frequently loss-leading products in order to gain market share.

Ben Marquand

They had so much business walking through the door it often wasn't worth their time selling ancillary products, routinely letting the lenders claw some money back by selling the insurances.

Today, thousands of brokers have retreated from the market altogether and those that remain live in fear that the FSA will fine them and possibly even ban them.

Stung by criticism of its role in the Northern Rock debacle, the FSA has spent a good part of the year investigating and dealing out punitive fines to small firms. Whether there are many 'bad' brokers who need weeding out is a moot point, but it does let the FSA show it has teeth.

Lenders have been hurting too and, stung by criticism of their back-books and the general lack of liquidity, they have had to tighten criteria. The latest development I am hearing is of lenders quietly canvassing brokers to see if they would abandon procuration fees altogether and start fee charging.

There are various issues here, but is this idea such a bad thing? It could be a blessing in disguise; brokers would be forced to start fee charging. If and when there is a read-across from the RDR then they find they are in a better place than they would otherwise have been.

Leaving aside the impact of a tiered approach, losing procuration fees as the main source of remuneration could help both adviser and product design and yet mean that brokers have the last laugh.

Ben Marquand is managing editor of *Mortgage Solutions*

Cost-cutting story hits home

BIBA has received widespread coverage having spoken out over our fears that cost-cutting by companies could mean insurance cover is invalidated.

We told the press that we had written to Small Businesses Minister Baroness Vadera, asking her to support our work to encourage firms to maintain risk management and insurance protection.

Financial Times journalist Jonathan Moules spoke to chief executive Eric Galbraith about the issue, with the message that brokers were best-placed to advise businesses. Meanwhile, Eric and corporate and public affairs executive Graeme Trudgill recently visited Scotland to brief journalists on business insurance.

Eric featured in *The Scotsman* and was profiled in *The Herald*, which is produced in Glasgow – his home city.

The piece covered a range of heavyweight topics. These included the issue of insurer solvency, on which he said: "The focus has got to be on who is behind the protection, ie, who is the insurer. When you transfer a risk onto an insurer's balance sheet, the policy is only as good as the security."

Eric also warned that claims will be more rigorously scrutinised as the economy worsens. "Insurers are becoming more careful about the way they look at claims. They will put them under the microscope, so there is more of a position to have insurers rejecting claims. Under these circumstances, it is important to have somebody on your side," he added.

BIBA calls for better UK flood strategy

With wet and wild weather sweeping across many parts of the UK, BIBA has been campaigning in the press for better protection for householders and business owners against flooding.

BIBA has responded to the Department for Environment, Food and Rural Affairs (DEFRA) consultation into flood protection for homes and businesses and called for:

- free flood surveys for homes and businesses in high-risk flood zones – not limited to low-income families
- the Government to make it compulsory to carry out resilient repair work on high-risk properties
- a VAT exemption for all flood repair work to encourage all home-owners and businesses to take the necessary steps to protect their property
- the Government to develop updated and detailed flood maps with the insurance industry in order to gain a better picture of risks to UK homes and businesses
- insurers to offer discounts or improved terms and conditions for responsible property owners who act to reduce flood risk.

Graeme Trudgill, BIBA's corporate and public affairs executive, says: "We want the insurance industry and the Government to work together on this issue. Flood claims are already having an impact on premiums and now is the time to introduce effective measures that will encourage investment in preventative measures and provide rewards for this. It is in a property owner's interest to plan for the long term, but this can be expensive. That's why we are calling on the Government to provide VAT exemptions for responsible homeowners and businesses who invest to protect their property."

Working towards cover for all

A number of specialist brokers are helping to break down barriers to buying insurance, as **Rachel Gordon** reports

Back in 1999, the Treasury said it wanted to tackle financial social exclusion and one of the key areas to focus on was the lack of household cover held by poorer families.

Government research showed that half of the poorest homes had no contents cover. And, although it called for action, it seems little was taken – in 2007, social policy charity, the Joseph Rowntree Foundation, said the figures remained unchanged.

The floods which affected Hull last year resulted in damage to around 12,000 homes and at least one in five had no contents cover. These tenants had to apply to an emergency fund run by the City Council. And it is not just after floods that tenants may be in desperate need – those who are less well off will also struggle after a burglary, or other disasters.

A 2007 report by the Association of British Insurers (ABI) showed that poorer households face far greater risks than their more affluent neighbours. For instance: households with an income below £5,000 were 71 per cent more likely to be burgled at least once, compared with households with incomes of £30,000 or more. Arson rates are up to 30 times higher in the most deprived communities and people with the lowest incomes are also much more vulnerable to flooding.

The ABI has a financial inclusion action plan, with the emphasis on insurance with rent schemes, improved financial education and easier access to insurance for customers with particular needs.

Brokers, however, are already working to increase take-up. Broking group Barbon operates a specialist brand, Farr, which has some 30 years' experience. Managing director Steve Brindley explains it launched into the tenants' contents sector after providing buildings cover to housing associations.

"It just makes sense for contents cover to be in place – as the recent floods showed, someone's home can be ruined. Yet those with insurance were getting new suites, electrical goods and bedding quickly sorted out. If you have a major event, housing associations are swamped with requests for help – and insurance can ease their burden too."

He adds: "The Government has this issue on its radar and there are positive steps being taken – we want to do as much as we can to encourage take-up. The benefits of using a broker are that we can negotiate with insurers to achieve flexible arrangements for tenants – and assist with promotion and education, in particular with housing association staff."

Brokers such as Farr allow tenants to pay for cover with their rent. They can pay

Bureau Insurance: promoting inclusion

It is not just those living in rented property – whether local authority or housing association – who may find it harder to obtain cover.

BIBA member and scheme provider Bureau Insurance was founded in 1997. The broker specialises in providing household cover for people and properties that most insurers would decline.

Managing director Chris Jordan says: "Our philosophy is to 'touch every risk and either to survey or lifestyle underwrite'. This allows a small number of carriers to feel safe in accepting the risks that they would normally refuse."

Bureau's three schemes are:

- PUPS – previously underpinned properties
- Flood Insure – houses which have been affected by flooding
- Fairplay – for people with criminal convictions.

Chris comments: "Bureau does what other people don't – or don't want to. Specialising requires skill, experience and attention to detail. Every risk for our PUPS and Flood Insure schemes are assessed on-site, giving underwriters more detail and information than they would otherwise glean from proposal forms. And the Fairplay risks are subject to detailed lifestyle assessment."

He says the Fairplay scheme specialises in insuring ex-criminals who "in the main are people who have done their time and now have a steady job and want to settle down. At Bureau, we will look at each individual case using a points system devised in conjunction with an experienced probation officer."

in cash and also use pre-paid cards for the insurance.

Mike Langton, divisional managing director, affinity, for Jardine Lloyd Thompson, says his company has been involved in this sector for almost 10 years. It has a Tenant Risks division, which works in association with the National Housing Federation, the Scottish Federation of Housing Associations, Community Housing Cymru and many local authorities throughout the UK.

He comments: "Everyone should have the right to access suitable home contents insurance. We've found that a number of insurers, such as Norwich Union, Allianz and Equity Red Star, are receptive to this issue and have sought to provide cover."

Mike explains lower sums insured help with affordability. "You see cover advertised on television, but you need a credit card to purchase it. A standard policy may have relatively high sums insured – for example £50,000 or £75,000 – but this adds to the cost and is above what is needed."

One of the frustrations of this market is that take-up of schemes is often not as high as it should be – typically, it might only be around 20 per cent of a particular housing development.

Mike comments: "We're making progress. We operate freephone helplines and assist the landlord – the local authority or housing association – in promoting the cover. Jardine Lloyd Thompson also provides free web-based e-learning to assist all frontline housing staff in understanding some of the issues and barriers which cause financial exclusion."

Ways of promoting schemes include posters in public areas, leaflets and guidance when someone first moves in.

Mike emphasises that although the sums insured may be lower, it is still good cover. "There is liability cover included and one claim I'm aware of involved a tenant who needed a new electric wheelchair – the insurance proved extremely valuable."

He adds some may be distrustful of the insurance industry and feel their claim may not be paid. "It's very much a question of education and we have many cases of clients who are extremely pleased they bought cover – we're doing all we can to get that message across."

Norwich Union has been involved in this sector since the early 1990s, according to Moira O' Donnell, the insurer's tenants' contents manager.

It operates a centre, based in Glasgow, which is dedicated to tenants' contents. The team has more than 70 years' combined experience specialising in this sector and works with broker Aon. The insurer has more than 100 schemes running across the UK, including Glasgow, Sheffield and Manchester.

Moira also sits on the Insurance Working Group at the ABI, looking at ways to further improve take-up levels in this sector. "The product provides good affordable cover and has sustainable rates, with no excess and no security requirements. The majority of policies can be paid alongside rent payments, which allows tenants to easily budget with other household bills," she says.

Moira adds: "Through our partnership with Aon, we also offer the service of local loss adjusters who deal with the majority of the claims. We see this service as vital to ensuring customer service is always at the forefront."

Steve Foulsham, BIBA's technical services manager, concludes: "We fully back ways to eliminate social exclusion and have been working with the Treasury for the past 18 months on this. We're particularly interested in looking at ways of making contents cover part of the rental contract. I'm aware of various examples of blue-chip insurers and brokers providing a valuable service in this area and we must do all we can to ensure those in need know about it."

Self insurance works for SMEs

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

By Peter Niven, Chief Executive of Guernsey Finance

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

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

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

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

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

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

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

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

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

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

Interested in hearing more?

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

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

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Guernsey
The symbol of international finance

French connections

Laurent Matras has recently taken over as managing director of Groupama. He talks to **Rachel Gordon** about his new role

Laurent Matras' new position as managing director at Groupama has come about largely as result of what he knows… and a little of who he knows.

He is certainly highly qualified – and is a million miles removed from the old-style insurance executive who joined a company straight from school and learned the business on the job.

Laurent has a degree in economics and business from ESSEC in Paris and is also a qualified actuary. But like so many others in this industry, he says he fell into insurance, taking a job with AXA in Paris. He quickly moved up the ladder, working as a financial analyst before moving to the UK almost 10 years ago.

It was at AXA that he worked with fellow Frenchman Francois Xavier-Boisseau, who later left to become Groupama's managing director and is now the company's chief executive officer.

"I knew him when he was AXA's claims director and he contacted me to discuss moving to Groupama," says Laurent. "I always had a good relationship with him, he is a great guy to work with, and I could see he had done a fantastic job at Groupama."

Back in 2001, Groupama was struggling and was put up for sale in the UK. When a buyer was not found, a radical restructure took place, with the company's focus becoming more defined. It invested heavily in technology and concentred on e-trading as well as growing its schemes portfolio with a small pool of specialist brokers.

"Because the company was smaller, it was able to be agile, flexible and responsive. Profits rose as a result of focusing on less mainstream niches and providing quality service. Groupama also has one of the best solvency levels in Europe with A+ security," says Laurent.

With turmoil in the financial markets and several major UK insurers announcing redundancies this year, he says Groupama remains in a strong position: "This is a great time to be a mutual and, because we are not listed, we are less exposed to the markets and profit is reinvested in the business. I think you also have more straightforward governance in a mutual."

He emphasises that there are no plans for any redundancies, although the company will continually look for improved productivity and best use of resources and that delivering profitability is the key objective. "Rates need to go up and the bottom line is the focus, not the top."

And he says Groupama is going to remain focused solely on brokers, both in terms of distribution and through ownership – in the last 18 months, it has purchased Carole Nash and Lark, and has a controlling interest in Bollington.

Looking at the industry as a whole, he says: "The UK general insurance market is well capitalised and able to weather the impending storm." But, even though the banking industry is facing huge criticism for recklessness which subsequently required a major Government bailout of £500 million, he points out there is no room for complacency for anyone within this sector.

"The insurance industry's reputation is not great, either. This is probably not deserved, as in many cases, service levels are good. But there has been too much emphasis on selling on price and not quality and the customer often does not see the value in our products."

Laurent believes most brokers will cope with the tough market and that they will remain the leading distributors of SME cover.

"At the smallest level, direct SME may be a threat, but I do not think brokers should be too concerned. The feedback I have received is that television advertising from Direct Line, for example, has raised interest. It has made businesses more likely to shop around and will mean they are more likely to ask questions. Most firms are still likely to want a personal service. Brokers can offer something extra that direct players and aggregators can't – advice and local service. They need to play to their strengths and, in particular, get across that they provide advice."

> Television advertising from Direct Line has raised interest. It has made businesses more likely to shop around and will mean they are more likely to ask questions

Meanwhile, he says there is no doubt that the UK's failing economy will lead to rising fraud. "It is already happening. We've seen a significant rise in fire claims among SMEs, and arson. Our fraud detection rates are up, but fraud is often not easy to prove and insurers may well decide to pay up, which then results in us having to push up rates."

Laurent says that recent years have seen huge progress being made in detecting fraud in personal lines, but that there needs to be a more co-ordinated approach in the SME sector. "I think that there could be better information sharing and we need to find ways of working with brokers in this area, too."

From someone who was once employed in an analytical role, Laurent's role now is very much focused on Groupama's brokers. He has stepped-in on an interim basis to fulfil Cathie Bruce's role in distribution and customer services – she has taken over as managing director of another Groupama-owned broker, ChoiceQuote.

He says he is currently taking a fresh look at the structure of her team before making a new appointment. Laurent has shown he is prepared to make organisational changes if necessary. He points to the recent appointment of former non-motor and SME underwriting director, Phil Bird, who has just taken over as claims director.

"I think this will be an excellent move for him, as it will allow him to find out a lot more about the business and gain a different customer perspective. It is good to allow people to understand different parts of the business and I will look to internal promotions wherever possible," he adds.

Laurent concludes that he wants more feedback from brokers on Groupama's business and intends to attend next year's BIBA conference. "I was at Glasgow and really enjoyed it and am already looking forward to Manchester."

Meet Laurent Matras

Laurent joined Groupama in April 2008 from AXA, where he was finance director for AXA Insurance UK and AXA PPP. Until 1999 he was a financial analyst for AXA's group corporate finance team in Paris before a move to the UK as head of actuarial at AXA Insurance UK.

At AXA, he also held roles as head of personal lines underwriting and finance director before becoming a member of the executive committee and management board, responsible for 300 people in business finance and strategy, planning, business development and mergers and acquisitions.

Laurent has operational responsibilities for implementation of the company's strategic direction at Groupama Insurances and Groupama Healthcare and plays a leading role in delivering its business plans. The company currently employs more than 800 people in six centres across the UK.

Laurent lives in Islington in London and says he deliberately avoided the so-called 'French ghetto' of South Kensington.

His interests include rugby (he supports Toulouse, which is where he is from), motorbikes, wine and English comedy. He enjoys watching DVDs of *Blackadder*, *Peep Show*, *The Office* and *15 Storeys High*.

He planned only to stay a couple of years in the UK, but has been here almost 10 and says he is an Anglophile, although he has yet to be converted to cricket.

Insurers in the eye of the storm

Extreme weather events are increasing and providing challenges for underwriters worldwide. **Scott Farley** looks at market developments

They are called typhoons in the northwest Pacific, cyclones in the Indian Ocean and hurricanes in the North Atlantic. Around 80 of them form every year above the seas in the tropics and they are christened with cosy nicknames such as Rita, Charley and Hugo.

But whatever their moniker, tropical cyclones regularly demonstrate the power to destroy buildings, flood towns and cut off power supplies. They are responsible for eight of the world's 10 most costly insurance losses over the past 40 years and placing cover for such risks is a constant challenge.

"If I look at the demand we have seen over the last five or 10 years, it has grown exponentially," comments Tom Davies, managing director of Bowring Marsh, Marsh's specialist international placement broker for property, casualty and terrorism risks.

"That has come from clients that have expanded nationally within the US and, of course, the massive growth in the real estate industry. If you look at where people want to live, it is in coastal areas."

But as well as fuelling expansion in the overall size of the market for tropical cyclone cover this development has also, inevitably, led to greater losses.

The situation was summed up graphically a few years ago in a notable report from a major European reinsurer which contained two photographs, side by side, of Ocean Drive in Miami.

Dramatic growth

The first, taken in the early 1950s, showed little more than a dusty track and a few rather insubstantial wooden buildings, while the second, was a forest of shiny, multi-storey offices and hotels. Small wonder then that the value of insured losses has grown so dramatically.

At first sight, however, the tropical cyclone risk appears relatively easy to determine. Hazard maps for the areas where they occur record the number and intensity of individual storms over a period of time. And ever-more sophisticated natural hazard models attempt to estimate the probability of occurrence for future losses.

But it is simply not possible to make absolutely precise predictions.

Speaking at a London Catastrophe Modelling seminar earlier this year, Robin Lang, assistant vice-president at Renaissance Re, stated: "In all sectors of the insurance industry and the capital markets, there is a tendency to exaggerate the predictive power of risk models."

At the end of 2005 many insurers began to question the value of their catastrophe models, based on the actual losses resulting from 2004 and 2005 North Atlantic hurricanes.

But such criticism may have been grounded in a loss of sight of the fact that all risk models are merely simplifications to assist the decision-making process, suggests Robin.

Building models is difficult, he explains. They should offer a realistic range of potential outcomes and cannot remove pragmatism from any analysis. In particular, models may offer biased results depending on data, technology or simple errors and inconsistency.

Focusing on North European wind-storm models, Robin highlighted the need to consider questions about the geographical diversity of any risk and any interaction between territories. Regional biases in the cost of losses may also influence how a model can be used.

"You must understand the biases of each model to effectively conduct your analysis in the context of the deal being analysed," concludes Robin.

Some bias can be dealt with by using more than one model, but, he adds, "human judgement and reasonability checks should always be applied".

Whatever the predictive power of natural hazard models, it is real events that move markets most dramatically. In 2005 Hurricane Katrina smashed into the United States Gulf of Mexico coast, resulting in insured losses of more than US$60 billion.

The impact on brokers and clients looking to place catastrophe risks was immediate.

Most costly insurance losses 1970 – 2007

Insured loss (US$ million indexed to 2007)	Year	Event
68,515	2005	Hurricane Katrina
23,654	1992	Hurricane Andrew
21,999	2001	Terror attacks in New York and Washington
19,593	1994	Northridge earthquake
14,115	2004	Hurricane Ivan
13,339	2005	Hurricane Wilma
10,704	2005	Hurricane Rita
8,840	2004	Hurricane Charley
8,599	1991	Typhoon Mireille
7,650	1989	Hurricane Hugo

Source: Swiss Re, sigma No 1/2008

"After Katrina, there is no doubt that capacity did dry-up rapidly," comments Tom Davies. "The market hardened overnight. Demand for that capacity was unchanged and for clients it was a case of could they buy it and could they afford to buy it? It was a true demand and supply situation.

"Inevitably, clients bought less because of availability. They retained the risk."

Since then, new capacity has eased the market with both London and Bermuda continuing to play dominant roles in supporting the US demand for hurricane cover.

Innovative London

"It has loosened-up with clients slowly clawing back the limits they used to have," adds Tom. "Clients do need to source the capacity globally and London is a leading marketplace for that. Of course, especially with smaller risks, as soon as the market softens, there is actually less need for this type of cover and clients do source their capacity elsewhere. But does London compete? Yes, it is still a creative and innovative market and very good at pricing the product."

Tom adds: "At the point in the cycle we are at the moment, we still have US carriers trying to drive the market down, whereas London and Bermuda are generally holding where they are."

Traditionally, regulators in the US have looked with caution upon the solvency of international reinsurers, with non-US companies required to post collateral of 100 per cent of their gross liabilities assumed for American cedents. It is estimated that these arrangements, which do not apply to American firms, result in at least US$50 billion tied-up in letters of credit, trust funds and other expensive financial instruments.

In September 2008, however, the Reinsurance Task Force of the National Association of Insurance Commissioners (NAIC) agreed a new regulatory framework that includes collateral levels as low as 10 per cent for well-regulated non-US reinsurers.

Ratings will be assigned to individual companies according to their financial strength and any collateral requirements based upon this rating.

Reducing the impact of collateralised funds for new risks will enhance competition within the US market.

Dave Matcham, chief executive of the IUA, says: "This agreement is a first important step towards the introduction of a modern, more efficient and fairer system of reinsurance regulation. It will eliminate unnecessary costs and allow a better deal for US cedents buying reinsurance cover. It is entirely correct that any collateral requirement must be based on a firm's financial solvency, and not merely its geographical location."

Extreme weather identified

A hurricane is an intense, rotating oceanic weather system that possesses maximum sustained winds exceeding 119 km/hr (74 mph), which forms and intensifies over tropical oceanic regions.

The terms "hurricane" and "typhoon" are regionally specific names for a strong "tropical cyclone". A tropical cyclone is the generic term for a non-frontal synoptic scale low-pressure system over tropical or sub-tropical waters with organised convection (namely thunderstorm activity) and definite cyclonic surface wind circulation.

Once a tropical cyclone reaches winds of at least 17 m/s (34 kt, 39 mph) it is typically called a 'tropical storm' and assigned a name. If winds reach 33 m/s (64 kt, 74 mph)), it is called a:

- ➔ hurricane – in the North Atlantic Ocean, the Northeast Pacific Ocean east of the dateline, or the South Pacific Ocean east of 160E
- ➔ typhoon – in the Northwest Pacific Ocean west of the dateline
- ➔ severe tropical cyclone – in the Southwest Pacific Ocean west of 160E or Southeast Indian Ocean east of 90E
- ➔ severe cyclonic storm – in the North Indian Ocean
- ➔ tropical cyclone – in the Southwest Indian Ocean.

Developing a blueprint for the future

BIBA is preparing to launch its 2009 *Manifesto* which details our key campaigning issues for the year ahead. **Graeme Trudgill** provides an update on its progress

BIBA exists to represent the voice of its members, who have shared their concerns with us over many issues in recent years. We, in turn, take these forward to Government, the regulator, the media and the insurance industry.

BIBA has achieved many notable successes, all with the ultimate aim of helping improve the day to day operation of your business.

We launched our first *Manifesto* in January 2008, which proved to be a great success and has distilled our members' messages into a group of targeted priorities for us to represent to stakeholders.

These include Government Ministers and Departments, the Shadow Cabinet, backbenchers, insurers, the national and trade press, and customers.

Some of BIBA's recent achievements include:

- participating in many Government working parties on flooding and influencing the subsequent Pitt Report recommendations
- getting the Treasury to regulate the sales of connected travel insurance through travel agents, creating a level playing field for brokers
- influencing the Government Equality Bill to ensure a fairer insurance system for customers while protecting the interest of insurance brokers and risk-based pricing
- pushing the Government into committing to the system of continuous insurance enforcement.
- lobbying the Government to commit to changing the Road Traffic Act so motor insurance certificates will be able to be sent to clients electronically
- increased representation of BIBA members in Europe
- achieving an industry solution for contract certainty.

We have asked the BIBA membership what they see as the key lobbying points for 2009. We are extremely keen to include membership views in our next *Manifesto*, so do please speak to your local regional executive or chairperson – they are briefed and waiting to hear from you.

Right now we are also collating views from the General Insurance Brokers' Committee, our technical committees and regional committees who work with us.

We know there are many advantages in dealing with a BIBA member broker and we seek wherever possible to educate in this area. The messages we put across are as follows:

- BIBA members will treat customers fairly, providing advice and choice on a range of products and services. The key skills an insurance broker uses, including identification, measurement, management and control of risk leading, where appropriate, to the transfer of the financial risk from the customer to an insurance carrier. This results in peace of mind and financial protection for the customer
- all BIBA members focus on the customer's needs, make choices clear by advising of the range of products or services they offer, explain any professional advice they give – clearly and honestly
- they will make sure the customer understands what is, and is not, covered, clearly state the costs of the policy – including any fees they may charge and give clear information and documents – as well as any help needed with the paperwork – to make sure the policy is in place promptly. They will further explain the support they offer in the event of a claim and explain the right to cancel.

BIBA has a highly successful track record in speaking out on behalf of our membership and in promoting the rights of the insurance customer and, with your support, we want to do even better in 2009.

Graeme Trudgill is BIBA's technical and corporate affairs executive

What we stand for

BIBA's key principles are to promote:

- the interests of insurance brokers, other intermediaries and their customers to Government and other stakeholders
- the availability of and access to insurance protection
- the understanding and value of advice and where it can be obtained.

BIBA – representing you

- BIBA represents 2,400 individual intermediary firms, which are part of 1,700 authorised entities
- in 2008, BIBA received more than 40,000 calls to its consumer helpline and 180,000 visitors to its online Find a Broker service
- BIBA won the best sector representation award at the 2008 Trade Association Best Practice Awards
- BIBA is a signatory to the Climate Wise statement of principles for the insurance industry.

So far, the 2009 issues for representation are as follows:

1) Access to, and availability of, insurance

a) Standard and non-standard risks – promote the availability of all insurance risks.
b) Internet sales – promote good practice to ensure consumers are not treated unfairly or are misled.
c) Equality – work to achieve a fair system for customers of any age, health condition, disability, social exclusion, particularly with changes in demographics.
d) Terrorism cover in Northern Ireland – to improve availability.

2) Business resilience

a) Flooding – measures to safeguard UK properties and to provide cover.
b) The need for insurance – a campaign to raise the importance of insurance protection, including business interruption, in protecting businesses.
c) Continuity planning – to promote and support and improve continuity planning for UK businesses.

3) Financial capability

a) Financial inclusion – help everyone obtain insurance protection with suitable advice.
b) The value of insurance – to promote the importance of risk management and insurance protection, particularly relevant following uninsured flooding issues and the Buncefield disaster.
c) Advice – promote the value of advice over mere information when seeking protection.
d) Economic downturn – to help individuals and businesses to maintain adequate insurance protection during the credit crunch.

4) The UK and Europe

a) UK as a financial centre – safeguard the interests of the UK insurance broking sector and its customers.
b) Reform – influence reform within the market and ensure global competitiveness.
c) European Commission and Parliament – monitor, respond and influence legislation.

5) Regulation

a) Better Regulation – lobby for better regulation with the FSA, the Better Regulation Executive, the Small Business Practitioners Panel, the FSCS and the FOS.
b) Develop more appropriate and proportionate principle-based regulation in the insurance sector.
c) Professionalism and Ethics – maintain, develop and lead the way.
d) Work with BIPAR (the European Federation of Insurance Intermediaries) to achieve a level playing field for brokers both in the UK and in Europe.
e) Support BIPAR and the WFII (World Federation of Insurance Intermediaries) in helping to set the global agenda for the reform of our industry.
f) The UK is the only EU State where insurance intermediaries can be levied to contribute towards compensating the customers of failed banks. We believe this to be unfair and we want the Financial Services Compensation Scheme funding model to be reviewed.

6) Motor

a) Electronic certificates – to secure the legislative changes required to enable the electronic delivery of motor insurance certificates.
b) Continuous insurance enforcement – to help reduce levels of uninsured driving by ensuring the new enforcement system is implemented as soon as possible.

Why the Euro experience beats ours

John Sims argues that claims service from UK insurers is too often sub-standard, which is why loss recovery insurance can provide the panacea

All of us in insurance at some point will have pondered and complained about the lack of public affection for our industry. While some would say this is because insurance is a grudge purchase, I would argue that this is more to do with the fact that for too long, claims service for UK customers has often been extremely poor.

A policyholder's scepticism at the point of claim is not entirely unfounded, as the whole area of claims is one that could, and should, be a lot better than it is. The reality is that at present, and for some time, the UK insurance industry has not treated customers as fairly as it ought to have done.

However, like any problem, there are options and potential solutions and certainly there are alternatives to the unsatisfactory status quo with claims. As the FSA's Treating Customers Fairly (TCF) initiative increasingly requires renewed efforts from our industry to do just that, it is now time for UK insurance to look at long-term fixes for its problems with claims.

By contrast in Continental Europe, where things operate only slightly differently, customer experience and expectations could not be more different to that of their UK counterparts. I don't know what the Dutch phrase is for treating customers fairly, but that is exactly what they are doing.

Customer experience

This approach to TCF is not only found in the Netherlands – it is commonplace in many parts of continental Europe. The reason customer experience is so different to that of UK policyholders is because insurers there provide customers with a professional advisor to help them through a claim. In the UK, customers believe they get a much rougher ride because in a claim situation here, it appears that the insurer and loss adjuster are on one side, and the client and their broker are on the other.

Certainly the Netherlands is one place where it is standard practice for customers making a claim, to be provided with the services of an independent loss adjuster. In addition, the client is also entitled to spend the same amount of fees to prepare and submit their claim as the insurer is on the adjustment by their loss adjusters.

So, for example, if the insurer spends €3,000 on fees, that is what the insured is entitled to spend. This system works in much the same way as loss recovery insurance (LRI).

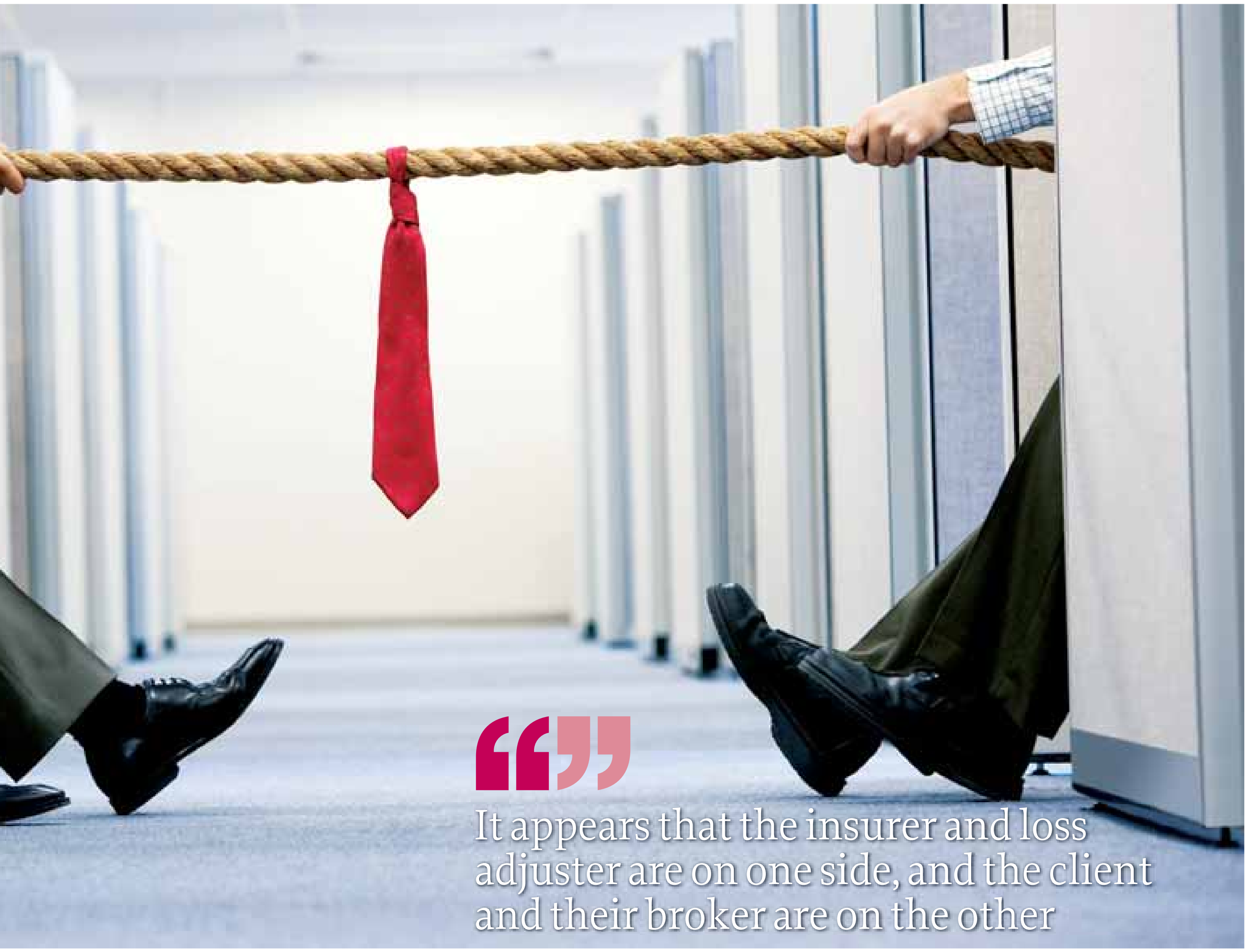
European insurers acknowledge that it is unfair for professional advisors to act on their behalf while the policyholder, with exception of some help from their broker, does not have access to the same level of expertise. All policies in the Netherlands and the majority in France and Belgium contain a *contre-expert* clause entitling the policyholder to their own adjuster.

The fees, or barême, are to a tariff set by the insurers, although there is nothing to stop the adjuster setting a higher fee than the tariff. There is a flourishing industry around this in these countries and the system works extremely well. It may seem an obvious and fair thing to do by European insurers, but UK insurers have yet to recognise this as a major gap in the claims process – with one exception.

Sterling Insurance has recently taken a lead with its new high net worth offering, Executive Plus, by adding a claims concierge service – a contre-expert equivalent. Sterling saw the very clear opportunity of this gap in the marketplace and now places an independent chartered loss adjuster at the broker and client's service to prepare and manage the claim on their behalf.

This bold step provides a link between the customer and Sterling's claims department which enables the insurer to pay claims quickly and fairly while negating any need for the customer to do all the running. Which insurer will be the first to pick up the baton for the commercial customer remains to be seen.

Often the complexity of commercial claims can be greater than in the mid and high net worth market. In my experience, high net worth claims tend to be more about a project management, hand-holding exercise – doing all the running around as rich people do not want to get estimates for repairs and replacements.



"It appears that the insurer and loss adjuster are on one side, and the client and their broker are on the other"

The claims concierge service at Sterling fulfils precisely this role.

However, it would be wrong to view this as a service that only adds value to the policyholder. High net worth insurers do regularly overpay, in the spirit of wanting to provide exceptional claims service, because they look for ease of repair and replacement.

Claims concierge

However, as the European experience shows, the contre-expert, or in Sterling's case, the claims concierge, looks to settle a claim with speed and ease but cost-effectively. So, ensuring a fair price via the contre-expert, also helps insurers to avoid over-paying and keep tight control of claims costs.

It would also be wrong to view this as a threat to brokers, who are good advocates for their clients. But there comes a point where brokers simply do not have the time. They are not getting paid to do this; it is a drain on their business and with complex claims they sometimes do not have the expertise to give clients the right advice. In many cases, the broker would be perfectly able to assist clients, but the analogy I use is that if you feel unwell you visit your doctor. Most of the time your GP can provide a remedy, but sometimes, in complex cases, he or she may not have the expertise, so would refer you to a consultant.

In an insurance context the automatic inclusion and entitlement to specialist help not only benefits policyholders but brokers and insurers as well. In short, it genuinely has the power to turn around poor claims standards in the UK, which have been deteriorating for years. For brokers, the Continental system not only removes the burden of dealing with insurers' claims departments to resolve clients' claims, it also allows them to earn additional commission on the sale of a Loss Recovery policy.

As TCF takes hold, many brokers are already using LRI as a clear demonstrator of TCF at its best. LRI certainly has the potential to become standard market practice in the UK – as it has on the Continent – in much the same way as legal expenses started life 15 years ago as an occasional 'nice to have', but are now mainstream, written into most policies.

The fact that using independent experts at claim time allows brokers to focus on more profitable activities while keeping their client happy also makes this attractive for brokers. So there are genuine industry benefits all round. The advantage to policyholders is also obvious. So, in terms of impact to public perception, this is one continental import that could put a welcome smile on the industry's public face.

John Sims is chief executive officer for loss recovery insurance provider, Lorega

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Consumer credit licences, the national minimum wage increase, cash management and advice from Lloyd's on pandemics are the topics on the agenda

"G"-Day looms for consumer credit licences

Barrister **Toby Riley-Smith** is warning brokers about risks linked to changes to the Consumer Credit Act 2006

One of the many changes ushered in by the Act of 2006 is the reform of the licensing regime.

These changes are intended to tighten up the credit market and in so doing squeeze out unscrupulous lenders who, in a climate of easy credit, have been taking advantage of vulnerable or imprudent individuals.

One of the ways in which the Act seeks to achieve this is to change the rules on consumer credit licences – and to broaden the list of activities which require a licence. This reform may have an impact on insurance brokers.

The 2006 Act has added a new Category G – 'debt administration' – to the categories of 'ancillary credit business' (that is to say, those activities which, in addition to pure consumer credit or consumer hire businesses, may only be lawfully conducted under licence).

With effect from 1 October, such an activity becomes licensable alongside the existing classes of 'ancillary credit business', namely credit brokerage, debt adjusting, debt counselling, debt collection and the operation of a credit reference agency. Some companies may find themselves drawn into the licensing process for the first time; others, who are already licensed, will need to apply before 1 October to extend their current licences to cover this new activity.

The 2006 Act defines debt administration as: 'the taking of steps: (a) to perform duties under a consumer credit agreement, or a consumer hire agreement on behalf of the creditor or owner, or (b) to exercise or to enforce rights under such an agreement, on behalf of the creditor or owner, so far as the taking of such steps is not debt-collecting'.

This new category was designed to cover those businesses that provide portfolio administration services to creditors or owners. This is a type of business that has emerged since the consumer credit legislation was first conceived. It is not uncommon for a creditor or owner's entire loan or hire portfolio to be administered on a day-to-day basis by a specialist third-party service supplier.

Debt administration includes any negotiation on behalf of the creditor or owner with the debtor or hirer on terms for the discharge of a debt under either a consumer credit or consumer hire agreement – and is thus the 'mirror image' of debt adjusting, which is negotiating on behalf of the debtor or hirer.

Although much of the work of brokers would not be caught by such a definition, brokers ought nonetheless to consider whether any of their activities could be said to fall into this new category – and render them liable to additional licensing obligations.

Insurance brokers could be involved in 'debt administration' if, for example, they are obliged to instruct their clients' insurers to cancel a policy and pay a refund to the creditor after the client has defaulted on a consumer credit agreement. Care should be taken to consider whether it is necessary to change brokers' licensing arrangements.

Any business that carries out debt administration – the performance of obligations or the enforcement of rights on behalf of a creditor or owner and arising under consumer credit and consumer hire agreements other than debt collection – will need to consider applying to be licensed under Category G.

Toby Riley-Smith is co-author of the *Blackstone's Guide to the Consumer Credit Act 2006* and a barrister at Henderson Chambers

Insurer issues national minimum wage rise reminder

Allianz Legal Protection is reminding brokers to alert their clients to the national minimum wage increase.

Employers could face fines of up to £30,000 if they fail to comply with the increase to the national minimum wage, says the legal expenses insurer.

The national minimum wage rose by nearly four per cent on 1 October to £5.73 per hour for adults (aged 22 and over), £4.77 for 18-21 year olds and to £3.53 for youths (aged 16-17).

Allianz Legal Protection's business development manager, David Vine, says failure to observe a legislative change such as this could make their financial situation even worse with a hefty fine and a criminal prosecution.

He comments: "This is a good example of the need for businesses to keep up-to-date with changes in the law. Brokers can add value to the relationship they have with their customers by advising them that over 292,000 workers were paid below the national minimum wage last year and the fine for falling foul of the law could potentially cripple a small business."

Allianz Legal Protection has calculated that only a third of commercial insurance policyholders have taken up any kind of legal expenses insurance.

David adds: "Companies have to consider who they will turn to for legal advice and how they would meet a costly tribunal fine if they were to break employment legislation."

Axiom advises on cash management

As the economic slowdown starts to bite, the pressure is increasing on brokers to ensure their cash flow management and credit control is watertight.

David Wheeler, a senior consultant and Karen Lawrence, a technical accounting manager, both work for Axiom – which provides support services to the Lloyd's and London insurance market. They have provided the following guidance to readers of *the broker*.

They say many brokers have advanced cash management systems, but others face difficulties in accurately allocating cash receipts and payments from premiums and claims to the correct accounts.

This can have a negative impact on cash flow and can lead to conflicts between broker, client and underwriter when payments made or received have not been accounted for properly.

The FSA stipulates in guidelines on the handling of client monies the onus on brokers is to ensure that funds are allocated in a timely fashion and paid to the relevant parties promptly.

Frequently the problem arises from inaccurate or incomplete referencing and different systems between broker and underwriter, says Axiom.

Cash collections may relate to multiple transactions, yet arrive as a single payment with limited or no means for brokers to allocate the money correctly. This is compounded where payments are made into brokers' co-mingled client accounts making it difficult to differentiate between payments.

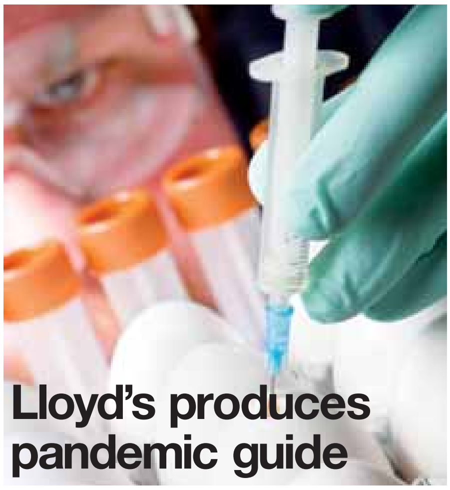
The reasons why the payments and receipts do not automatically match are varied. Premium payments may not be received when expected. For example, a premium may be received in full but is actually due on a half-yearly basis.

Alternatively, there may be multiple transactions and layers sitting behind a single claim – but it may be settled with a single payment or part payment. Or a claim may include payments which are subsequently disputed or not covered by the policy, causing a disparity between the figures recorded and those paid.

Improving systems and payment references to ensure cash is matched consistently and accurately to client accounts will enable brokers to identify where monies are late or missing, improving cash flow and helping to improve margins.

Key recommendations:

- review cash management systems, business processes and procedures to make sure that no cash is unallocated in co-mingled client accounts
- introduce discipline in referencing premiums and claims throughout the transaction chain
- introduce checklists, workflow and diary management systems and review reporting to ensure it provides an accurate picture of the true cash position.



Lloyd's produces pandemic guide

The emerging risks team at Lloyd's has issued a report, *Pandemic – Potential Insurance Impacts* which focuses on the threat to the business community and, in particular, the insurance markets of a global pandemic.

The report concludes that a pandemic is inevitable, with historic recurrence rates of 30-50 years.

Trevor Maynard, emerging risks manager at Lloyd's, says: "Much has been said of the 1918 Spanish flu epidemic, which is said to have killed up to 100 million people worldwide. While avian flu is seen as the most likely next pandemic, we have to ensure we are prepared for other types of pandemics that may require different responses."

The report warns businesses that failure to take adequate steps to prepare for any pandemic could leave them and their insurers a target for Directors' & Officers' claims.

Something to hold onto

Many employers need no longer display their employers' liability certificates in a public place, but as **Edward Murray** explains, careful record keeping remains essential

Hundreds of thousands of laminated employers' liability (EL) certificates, pinned incongruously in company kitchens, washrooms and reception areas, can now be flung in the bin.

So says the Department of Work and Pensions (DWP), in new legislation that came into force on 1 October this year and is set out in the Employers' Liability (Compulsory Insurance) (Amendment) Regulations 2008.

It is now deemed sufficient for employers to make an electronic copy of their insurance certificate available to employees, while the DWP has also done away with the need for companies to keep hold of their previous EL certificates for a full 40 years.

The DWP said the move was to remove the financial and administrative burden from businesses of having to keep certificates for such a long period of time, although the decision is questionable, given the DWP's own comments regarding future best practice: "The proposed repeal of the regulation requiring retention for 40 years would reduce burdens imposed on business by regulation amounting to £37 million although businesses should, as a matter of best practice, continue to retain certificates which will incur similar costs."

So it seems the DWP is telling firms they do not need to keep their certificates to help save them money, but is also telling them that it would be foolish to throw them away and so they should keep them.

Trying to find the logic in this seems a thankless task, although Peter Franklin, chairman of the BIBA Liability and Accident Committee, and a consultant to broker JLT, comments: "The legislation has never been enforced and so was not effective."

Given the DWP never had the resources to make sure firms were abiding by the rules, he believes the Government has simply decided to do away with them.

Fortunately, there is less doubt over

the benefit firms with multiple sites will derive from the new rules. By displaying their EL certificate electronically, this will do away with the need to have a physical certificate in each location and the DWP claims this will save businesses up to £21 million.

Those firms that fail to make such a copy of their EL insurance certificate available will still be liable to a £1,000 initial fine. Those without appropriate cover in place will be fined £2,500 for each day it is missing.

Despite the altered legislation, the advice to companies from all concerned parties is to hang on to their EL certificates. Unfortunately, Peter is sure that this will not happen in all cases. He comments: "I think there will be those that throw out records, especially as they change brands or change names."

He is also worried that there will be issues to deal with at a later date for firms that go to the wall. Will liquidators be minded to keep records if they do not have to, and will they be prepared to pay for the cost of storage that it would entail? It is difficult to believe so.

Equally, it is likely that a firm employing one or two people may see its records destroyed on the retirement or death of the business owner, making it

> "It is likely that a firm employing one or two people may see its records destroyed on the retirement or death of the business owner"

much more difficult for those left behind to trace the firm's insurer in the event of a claim arising.

Suggestions have been mooted that a central record should be kept of all EL policies and these could be included with annual accounting submissions to Companies House. However: "The Government clearly has no appetite to do that," according to John Cooper, a technical consultant for Aon and a member of the BIBA Liability and Accident Committee.

Problems arise over how much information regarding the insurance would need to be recorded for such a system to be successful. John adds: "Even if you can identify the policy number and the insurer, it does not mean the loss is covered. There is no substitute for detailed policy information."

The buck ultimately stops with the companies themselves, and given that they will be held liable if they are unable to identify their insurers in the event of a claim, it would seem prudent for them to make sure their insurance records remain in order, despite the changing legislative requirements.

For brokers with clients struggling to find insurance records relating to a claim, there is a tracing service run by the ABI, although it too has its faults. There are also insurance archaeologists that specialise in unearthing insurance records and finding policies for companies facing a claim (see box below).

Neither of these roads will lead to success every time, but they should be able to help in the majority of cases. In the meantime, brokers need to make every effort to encourage clients to keep accurate and detailed records of their cover to deal with the myriad potential threats lurking in the woodwork.

The insurance detectives

The ABI tracing service

The Association of British Insurers runs an employers' liability tracing service to help claimants track down insurers that were on cover for the individual case in question.

The system is now automatic, and once a request has been received by the Association of British Insurers for information, it emails claim details out to insurers, asks them to check them against their own records and report back if they are liable.

The system has been criticised for potential conflicts of interest, while inconsistent record formats mean they are often difficult to search effectively.

Use of the service is also limited and claimants can only seek information if their former employer has ceased trading, while defendants can only use the service when facing a claim and not to catalogue their insurance history to protect against future claims.

Further details of this service are available at: **www.abi.org.uk.**

InSolutions

It's bad enough trying to dig out the motor insurance certificate each year when the MOT rolls around, but for companies trying to find insurance policies dating back over half a century the task can be nigh on impossible.

This is where InSolutions comes into play, a specialist in insurance archaeology. InSolutions seeks to pull together the history of cover that a company has had in place over the years, allowing it to meet any claims that are made against it.

This has been of particular relevance in the employers' liability market where long tail claims arising out of exposure to asbestos have caused personal, physical and financial problems for all parties involved. Without insurance, meeting these claims can be financially crippling for a firm and yet many do not have a full set of records for the policies they have bought over the years. The first port of call for InSolutions is Companies House. This will help determine if the firm being sued is actually the natural successor to the claim or whether it rests elsewhere, given possible changes to the company's structure and ownership over the years.

InSolutions also has extensive records of its own which often throw up valuable leads and can help uncover when and with who a policy was placed. Where insurers are discovered, InSolutions will contact them for confirmation of any policies that were taken out and in time hope to establish exactly who held the policy and the terms of the cover that was provided.

Ian Pelham at InSolutions says it is like following a piece of string back to the original contract that was in place to cover a business for the period relating to the claim in question. "The success rate varies depending on how far back it's for, but our overall average is between 70 and 75 per cent," he says.

For more information please visit: **www.insolutionsworld.com**

Bang on target

BIBA's schemes and facilities comprise cutting-edge solutions that allow brokers to rise above the rest as **Steve Foulsham** reports

Time to data de-risk

As more and more Government agencies and commercial organisations hold personal, sensitive information in hundreds of locations, privacy cover should be an integral part of any commercial insurance programme, says Graeme Newman, business development director for CFC Underwriting.

However, he points out this major business risk is one that many companies are not adequately insured for.

"Changes to European Union and UK legislation, as well as action by the credit card companies, are combining to raise the stakes for companies that lose data. This is no longer solely a reputational issue to be kept as low profile as possible and the changing legal landscape means losing data could now have crippling financial implications," he comments.

Standard commercial insurance offers little protection against this risk. And while professional indemnity insurance provides some cover for breaches of privacy, this is generally restricted. Fines and penalties, through, for example, the Data Protection Act or regulatory breaches, are often excluded.

He adds contractual liability, such as credit card fines or breaches of security provisions contained within outsourcing agreements, is a common and serious exclusion.

"Hacking exclusions are also commonplace, which is a significant restriction when you consider how many privacy breaches are instigated by hackers."

To compound matters, standard policies also have no cover for the 'first party' losses such as privacy breach notification costs, credit monitoring services, brand protection and so on. "With the Data Protection Commissioner increasingly using enforcement notices that require companies to implement many of these measures, the sums involved can rapidly cripple small and medium-sized enterprises," says Graeme.

CFC Underwriting was appointed in 2004 as BIBA's exclusive provider of cyber-liability and e-risk insurance. CFC Underwriting has recently re-launched its award-winning cyber-liability policy with a major focus upon privacy. Available exclusively through brokers, Esurance™ has been designed to specifically address many of the issues outlined above, as well as providing additional cover for other associated risks related to the use of technology and information within businesses.

"With five million UK companies, the vast majority of which hold private or sensitive data in one form or another, it is time for brokers to realise that insuring is not about blacked-out windows and mirrored sunglasses, it's about delivering significant and tangible growth to their businesses," Graeme concludes.

For more information, contact Graeme Newman on 0870 770 1002 or email gnewman@cfcunderwriting.com

Group action

BIBA has launched the BIBA Group Personal Accident & Business Travel scheme in partnership with ACE European Group. This will provide BIBA members and their clients access to a flexible range of benefits and one of the widest and most comprehensive policies for Group Personal Accident & Business Travel Insurance.

The new scheme offers vital protection for employees of any business and includes enhancements negotiated specifically for BIBA members to the policy wording and terms. ACE have many years experience in placing this type of cover.

Key benefits of the scheme include:

- exclusive discounted rates for BIBA members
- individual claims case management
- variable commission levels selected by the broker, and enhanced payment terms
- market-leading product and wording, exclusive to BIBA members
- BIBA member exclusive quotation hotline direct to underwriter and a business-class assistance service, including international SOS and red 24 security advice
- no minimum levels of support or restriction on client size.

The scheme will provide an easy solution for members to obtain quotations with a minimal number of questions being asked, while providing comprehensive protection for businesses employees – a company's most valuable asset.

Alan Parker, regional business development manager at ACE, comments: "We are delighted to offer BIBA members an exclusive scheme including single trip, multi-trip, and group business travel within the flexible contracts offered as part of the scheme."

For more information, please contact the A&H SME unit on 0800 519 9910 or email biba.pat@ace-ina.com

The right connection

Following the support for, and the success of, the telecom facility over the last four years, BIBA is pleased to announce the launch of a dedicated new brand, BIBA Telecom.

The existing facility has continued to offer savings, services and advice to members, as well as to BIBA. Making a decision to review any supplier can be confusing with so much choice available, however joining a BIBA facility that is tried and tested by so many other companies in the insurance industry provides a trusted option.

BIBA Telecom is powered by Redstone Telecom, a leading UK supplier with more than 1,000 employees and offices around the country. It is structured to provide members with a full range of communication and IT services, including fixed-line telephony, mobile, converged solutions, managed solutions and technology. BIBA Telecom emphasises it recognises the importance of integrating and managing IT and communications infrastructure to ensure your business processes allow for smarter working practices. Companies of all sizes from the very smallest can benefit from modern technology. However, without dedicated expertise within a company the potential business and financial benefits available may not be clear. BIBA Telecom has the expertise to offer advice on all aspects of IT and telecoms and has case studies available for all sizes of business.

There are more details on the facility, including case studies on the above mentioned services by BIBA members can be found in the Schemes section of the BIBA website www.biba.org.uk. Information on Redstone can be found at www.redstone.co.uk

For more information, please contact Chris Howard on 08000 213 888 or email info@bibatelecom.co.uk or Freephone: 08000 213 888.

Steve Foulsham is BIBA's technical services manager

BIBA's schemes and facilities: the full range

1 Caravan – Touring and Static
2 Commercial Package and Combined
3 Conflict Management Service
4 Crisis Control
5 Cyber-Liability
6 Directors and Officers
7 Electronic Marine Cargo
8 Excess Public and Products Liability
9 FSA Financial Compliance
10 Group PA and Business Travel
11 Haulage and LGV Insurance (MotorRISK)
12 High Net Worth
13 Holiday Travel
14 Home Insurance
15 Insurance RatingsView
16 Late Night Entertainment (ClubPM)
17 Let Property (BIBALet)
18 Loss Recovery Insurance
19 Marine Cargo (ClearCargo)
20 Medical Malpractice
21 Motor
22 Non Standard Property
23 Personal Lines Administration
24 Premium Finance
25 Telecoms
26 Unoccupied Properties
27 Valuation Services


EXECUTIVE PLUS

Tough questions, straight answers

Steve White responds in straightforward style to a range of your regulatory queries

Q: What advice would BIBA give concerning client money accounts in light of the current banking crisis?

A: The advice that we have given to members can be summarised as follows:

- make sure that you can readily identify monies held on behalf of customers (client money) and monies held on behalf of insurers (risk-transferred money)
- where you hold risk-transferred money, check the terms of your insurer's terms of business agreement (TOBA) to make sure you are complying with any specified banking requirements
- if in any doubt, seek written confirmation from each insurer that grants risk transfer that they are happy with your banking arrangements
- familiarise yourself with the limits of protection afforded by the Financial Services Compensation Scheme (FSCS). Their website has useful information – see www.fscs.org.uk

Q: Are there any further tips BIBA can give us on demonstrating that we achieve TCF?

A: The following observations made by the FSA during visits they have undertaken this year might help:

Culture

- make sure that someone at board or senior management level is given the personal responsibility for TCF
- all board agendas and reports should make reference to TCF
- the FSA is finding that while TCF may be well understood at board and senior management level, often it is not understood at the 'coal-face'.

Management information

- some firms are placing an over-reliance on satisfaction surveys. Satisfaction is not always an indicator of fair treatment
- some firms cannot demonstrate that they have used the management information to change the way they operate. If the MI highlights a problem, the firm should be able to demonstrate what action it has taken and the effect these changes have made to subsequent MI.

Q: Do I need to keep any contract certainty data?

A: Yes!

While BIBA no longer collects contract certainty data from members, the FSA still expects firms, as part of demonstrating adequate systems and controls, to be able to prove the following:

- the proportion of commercial cases where the terms are certain at inception
- the proportion of cases where documentation is despatched in accordance with the Contract Certainty Code timelines
- details of cases where contract certainty is not achieved.

Contract certainty remains on the list of issues the FSA raises with firms during ARROW and ARROW-Lite visits, proving that the issue is still topical.

The contract Certainty Code of Good Practice can be found on the BIBA website at: www.biba.org.uk

Q: What is the background to the Treasury's decision to deregulate retail freight forwarding insurance?

A: Freight forwarders typically purchase an 'open cover' insurance policy, which allows them to add customers to the contract as policyholders. The activity of adding customers to an open cover was deemed by the Treasury during the Insurance Mediation Directive (IMD) implementation process to be an 'arranging' activity and therefore within the scope of the FSA.

However, the UK approach was out of line with the majority of Europe, where freight forwarders were not subject to IMD implementation. The UK freight industry campaigned for a reversal by the Treasury. The Treasury consulted early in 2007 and implemented the deregulation of commercial freight forwarding insurance from 20 July 2007. The deregulation of retail freight forwarding insurance was the subject of Treasury consultation during spring 2008 and is expected to come into effect by the end of 2008.

Steve White is BIBA's head of compliance and training

Fighting for FSCS fairness

BIBA is opposed to the current compensation funding model and, in particular, cross-subsidy between firms in different business sectors, as **Vannessa Young** explains

Recent global financial market turbulence has been unprecedented and its effects have yet to be fully realised. Governments around the world have intervened in the banking sector on a scale thought unimaginable a year ago.

In the UK, state intervention has added impetus to discussions regarding changes to the regulatory regime to better handle failing banks and to reform aspects of the Financial Services Compensation Scheme (FSCS).

As part of those improvements, the Financial Services Authority has increased the FSCS compensation limit for bank deposits from £35,000 to £50,000 for each customer's claim. Those changes to the compensation limit were set out in the consultation paper 08/15, entitled *Financial Services Compensation Scheme: Review of the scheme limits.* The paper also details proposals to improve the overall scheme and to ensure consistency in respect of compensation limits for investment, insurance and home finance. The consultation closes on 5 January 2009.

The reforms do not stop there. Whether the compensation limit should be higher still is also under consideration; as is the speed with which the FSCS can pay compensation; and the rules surrounding whether bank deposits are covered on a legal entity, a 'brand' or an 'account' basis.

The aim is to provide effective long-term compensation arrangements in which consumers can have confidence. This is laudable. However, security comes at a price not just to the taxpayer, but also to the financial services industry which funds the FSCS through levies.

The FSCS is able to raise a levy of up to £1.84 billion per year from the banks, but once that threshold is breached a general retail pool for compensation is triggered to which all authorised firms with customers that are eligible under the scheme must contribute. That pool goes up to £4.03 billion.

The FSA has stated that the overall impact of levies arising from the failures of Bradford & Bingley, Heritable Bank, Kaupthing Singer & Friedlander and Landsbanki will be considered together. It has been agreed that FSCS levies to cover interest and expenses in respect of all these institutions shall not exceed £1bn per annum for the first three years, which falls on the banks. But what happens after that period? And, in the interim, if more bank failures trigger FSCS, what then?

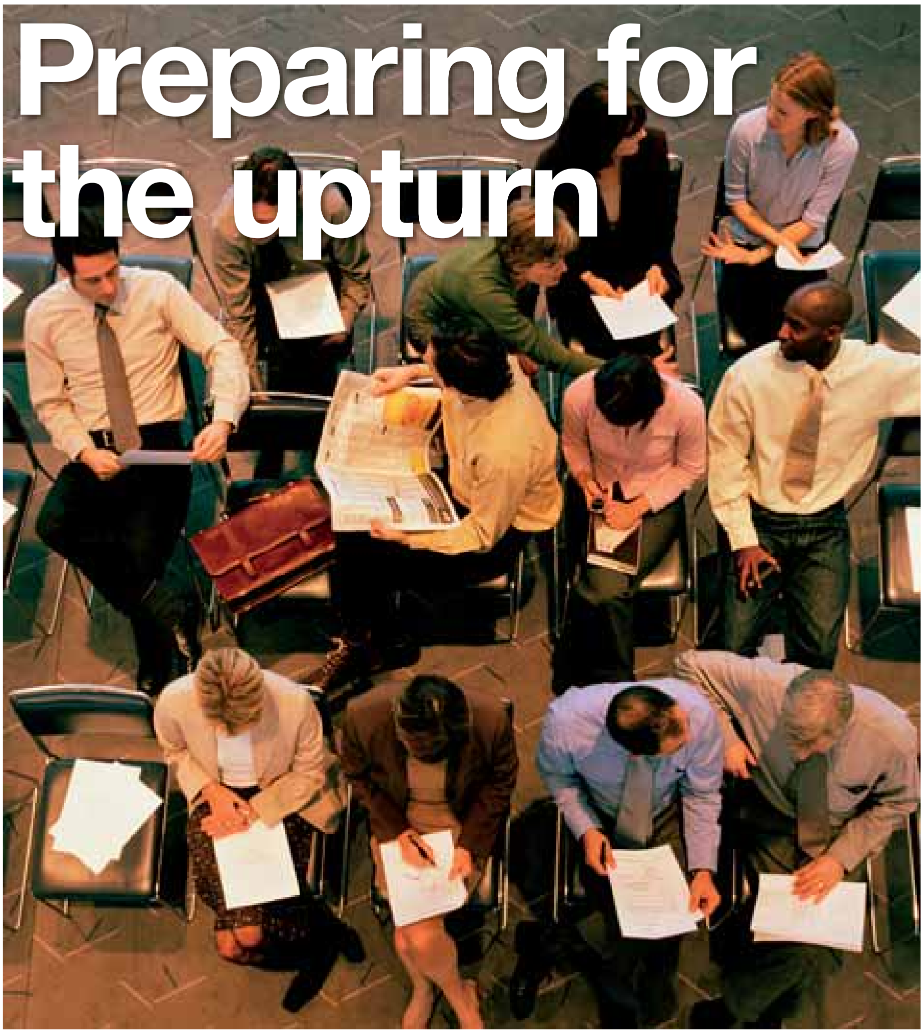
General insurance intermediaries and brokers face the prospect of having to pay for a collapsed bank by topping-up the FSCS in the event of a shortfall. Something is very wrong when a compensation system results in some of the smallest businesses in the country paying for the failed strategies of the very large, while putting them at a competitive disadvantage to their counterparts across Europe. The UK is the only country in Europe where this happens.

BIBA opposed the new FSCS funding model which became effective in April 2008, particularly the introduction of explicit cross-subsidy between firms in different business sectors. We gained a significant funding concession for brokers during consultations, but we continue to argue that the compensation mechanism is flawed and will fight this unfairness.

Those brokers which do not yet disclose a separate 'eligible income' figure to the FSA should do so immediately, as FSCS levies will be based on this. Brokers should not allow themselves to be caught out by additional FSCS-related costs in the same way as some firms were by the goodwill issue earlier this year.

Insurers can pass on increased costs to their policyholders through raised premiums, but brokers do not have this luxury. Perhaps it is time for brokers to pass on these costs and declare on any customer documentation a separate charge for the FSCS. It is not ideal, but at least if we all do it, that will bring us closer to understanding the true cost of this banking bailout to us all.

Vannessa Young is BIBA's compliance co-ordinator



Preparing for the upturn

Ensuring employees are knowledgeable and able to perform to the best of their abilities is more important than ever, says **Ian Jerrum**

In uncertain economic times like these, we all need to tighten our belts somehow. In the past, lean times have often seen brokers cut their training budgets. But there are good reasons for thinking that now is precisely the wrong time to cut corners on training.

You will often still hear that tighter FSA regulation is the reason why brokers should commit to training and development. Regulatory scrutiny is a factor, of course, but there are other much better business reasons for investing in the competence, knowledge and skills of your staff.

The broker market is more competitive than ever, and changing insurance product distribution models underline the need for brokers to differentiate themselves through greater expertise, professionalism and added value. Unless clients feel they can trust in the special expertise of their broker, what's to stop them looking elsewhere?

Studies have shown that the companies that prosper most, in good times and in bad, are those who invest in their staff. So, don't only invest in training for negative reasons. Don't do it because you want to demonstrate a minimum level of commitment to the FSA or because you feel you 'should be doing something' to show your staff you value them. Do it because properly planned investment in training will pay you back many times over.

To get a proper return on training spend, it needs to be closely linked to overall business objectives. Your training outlay – however large or small – should reflect the specific gaps that stand between the current skills and competencies of your staff and those they need to take your business to the next level.

A thorough training needs assessment (TNA) is all you need to verify you have the skills in place to support your business planning. Your HR or training manager can probably do this – or you can call in a specialist training firm to do it for you – often at little or no cost. TNA isn't rocket science – but to train without carrying one out risks wasting your money.

Once you have identified the skills and capabilities your staff need, there's no excuse for not addressing this 'skills gap'. Ten years ago, the only way to learn some important insurance industry skills was on the job or through mentoring by senior colleagues. But today you can easily source both face-to-face and online training on virtually any technical insurance topic – and on general business and management skills approached from an insurance perspective.

The Broker Academy offers highly affordable high-quality face-to-face training on an ever-expanding range of topics. There are now courses run in towns and cities right across the UK from as little as £99 per delegate. Feedback on these courses has been very positive.

One Bristol broker, describing a Broker Academy course on Marine Cargo and Goods in Transit this July, wrote: "I learned lots and felt the trainer really listened and covered everything brilliantly." Following another course held this summer – on liability insurance – a Redhill broker commented: "Very informative and enjoyable." A Leeds delegate this September wrote: "The trainer was excellent and knowledgeable."

For those looking for e-learning resources as a substitute for – or better to complement – face-to-face training, broker ASSESS (following its recent merger with the market's other leading system, Tick) now offers a comprehensive array of e-learning courses and online assessments with which to test users' knowledge.

If you plan and monitor the learning of your staff with a clear focus on instilling the specific skills that will make the most difference to the professionalism and profitability of you business, you'll soon see training in a different light and join the ranks of those who wouldn't dream of cutting back on training at a time like this.

Ian Jerrum is managing director of Searchlight Insurance Training

For more information on Broker Academy training, email: brokeracademy@ssluk.net

Legal Notice **No. 7454 of 2008**

In the High Court of Justice Chancery Division Companies Court

Notice under Part VII of the Financial Services and Markets Act 2000

INVOLVING

ZURICH INSURANCE COMPANY ("ZIC") and NAVIGATORS AND GENERAL INSURANCE COMPANY LIMITED ("N&G") and ZURICH GSG LIMITED ("ZGSG") and ZURICH INTERNATIONAL (UK) LIMITED ("ZINT") and ZURICH INSURANCE IRELAND LIMITED ("ZIIL")

Notice is hereby given that on 10 September 2008 an Application was made under section 107 of the Financial Services and Markets Act 2000 ("**FSMA**") in the High Court of Justice, Chancery Division, Companies Court in London by ZIC, N&G, ZGSG, ZINT and ZIIL for Orders:

1. under section 111 of FSMA sanctioning a scheme (the "Scheme") providing for the transfer to ZIIL (through its UK branch) of the general insurance business (as defined in FSMA) carried on by each of ZIC (through its UK branch), N&G, ZGSG and ZINT; and
2. making ancillary provision in connection with the Scheme pursuant to section 112 of FSMA.

A copy of the report on the terms of the Scheme prepared by an independent expert, Dr Lis Gibson of Deloitte & Touche LLP, in accordance with section 109 of FSMA (the "**Scheme Report**"), a booklet containing a statement setting out the terms of the Scheme and containing a summary of the Scheme Report, and the Scheme document may be obtained free of charge by visiting The Zurich Centre, 3000 Parkway, Whiteley, Fareham, Hants, PO15 7JZ or Zurich House, Ballsbridge, Dublin 4, Ireland, or by writing to Freepost Zurich Transfer, PO Box 604, 3000b Parkway, Whiteley, Hants, PO14 9GR. Alternatively, you can request these documents free of charge by calling 0800 0159 121 (Monday-Friday 9am-5pm) or by emailing transfer.team.ukgi@uk.zurich.com. These documents and other related documents (including questions and answers and sample copies of the communications to policyholders) can be viewed at **www.zurich.co.uk/changes2009**.

The Scheme will result in the general insurance business carried on by each of ZIC (through its UK branch), N&G, ZGSG and ZINT being carried on by ZIIL (through its UK branch). The Scheme will result in all property and contracts related to the transferred businesses, including contracts of outwards reinsurance, being transferred to ZIIL notwithstanding any restrictions on transfer or requirements for counterparty consent and without triggering any pre-emption, termination or other rights which might otherwise arise. Attention is drawn to section 112A of FSMA. Any entitlement to terminate, modify, acquire or claim an interest or right or to treat an interest or right as terminated or modified as a result of anything done pursuant to the Scheme will only be enforceable to the extent that the Court so orders.

The Application is due to be heard at the High Court of Justice, Strand, London WC2A 2LL on 12 December 2008. Any person who alleges that he or she would be adversely affected by the carrying out of the Scheme may attend the hearing and express their views, either in person or by Counsel. If you intend to make written representations and/or appear at the Court hearing, either in person or by Counsel, you are asked to provide written representations or written notice of your intention to appear at Court and details of your concerns as soon as possible and preferably before 8 December 2008 to Herbert Smith LLP, quoting reference 2067.

Dated 1 December 2008
Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS

Ref: 2067

It's a family affair

Ian Drewe, managing director of K Drewe, talks about his role running the hugely successful caravan broking business

How many staff does K Drewe have now? Do you see the firm expanding?
We have 61 employees and three consultants. The business was founded by one person – my grandfather, Kenneth Drewe, in 1956. We made our first and only acquisition in 2006 – a commercial caravan brokerage which fitted well.

We've predominantly grown over the past years by building affinity relationships and working with broker networks. We're looking to expand these and develop the direct market. We're also focusing on website development and see all this contributing towards organic growth.

You work for the family firm... did you ever consider other career options?
There was no family pressure to join the business, although insurance is in the blood. When I left school I took a job as a motor clerk with Norwich Union. Then two years later my dad, Richard, asked if I wanted to join K Drewe as someone was leaving. I was general dogsbody – so learned the business from the bottom up.

Why does K Drewe specialise in caravans?
My parents were keen caravanners and realised there was an opportunity to provide a scheme for caravans in France in the 1980s.

At first, they sold insurance from the back of their van and at caravan fairs but my dad recognised greater potential. Finding that the UK market was pretty apathetic toward these products, he decided to do it himself. He launched a UK product in 1990 through retail and wholesale channels.

What business decisions are you particularly pleased with, and do you have any regrets?
It was great when we made the leap from France to the UK market. And it was great timing, as the leisure industry started to boom in the UK.

This ultimately led to the company's decision to specialise in niche and leisure products. Like Edith Piaf, 'je ne regrette rien'.

Is there a business tip you would be able to pass onto other brokers ?
Never close doors – they might not open again.

How important is wholesale business to the company? Does it pose challenges?
It's really important to us. We won Schemes Intermediary and were shortlisted for Wholesale Intermediary and the E-Business awards, in the UK Broker Awards.

Wholesale business makes up about 75 per cent of the total, so it's vital and has taken precedence in recent years. We want to develop both this and the direct business. Growing our brand in the public arena can only help brokers as well.

The particular challenge with wholesale business is to keep everyone happy with the rates and service and to give them as little or as much as they want from us.

Do you think regulation has been good for the broking industry?
Yes – apart from anything else, regulation has proved a guide to help us structure the operation to meet the needs of the business plans. Like everyone else, I could do with less paperwork.

Is BIBA membership useful?
Being a provincial broker, BIBA membership and attending conferences are unrivalled for meeting and keeping in touch with people. It goes along with the open-door philosophy that you never know when those people might come to you.

We were delighted to provide BIBA's very first online scheme with **www.bibacaravan.co.uk** – this opened our product to other BIBA brokers and widened our brand by association with a prestigious body.

What's the best thing about broking – and would you recommend it as a career?
Brokers traditionally have an image as grey men in suits, but then caravanners have an image of sock-and-sandal wearers dawdling along the motorway at 30mph. Neither is true, and it's our mission to help change the stereotypes. Broking is diverse, challenging and sociable and a profession where you can make a mark – I'd thoroughly recommend it.

How do you switch off from work?
In three words – family, Devon and sailing... oh, and the odd glass of wine!

BIBA PARTNERS

NORWICH UNION an AVIVA company
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Introducing a 21st century approach to Personal Injury & Business Travel Insurance exclusive to BIBA members

The ACE range of Corporate Injury & Travel products provides an innovative approach to protecting a company's most valuable resource, its employees. For information or quotations please contact the ACE A&H SME Team:

ACE A&H SME Unit, Ashdown House, Crawley, West Sussex RH10 1DQ
e-mail : biba.pat@ace-ina.com   tel : 0800 519 9910   fax : 01293 597310

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