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British Insurance Brokers' Association

BIBA East Midlands Compliance

9th January 2007

Leicester Squash Club, London Road, Leicester

Attendees

Name

David Baxter
Fin Gunning
Sue Hull
Andrew Jenkins
Chris Martin
Charlotte Prow
Rob Squire
John Steele
Karen Stokes
Heather Wells

Company

The Trust Insurance Group
Eaga Insurance Services Ltd
Berkeley Burke Group
Russell Scanlan Ltd
Martin Bown & Co Ltd
The Wilson Organisation
Routen Chaplin
The Wilson Organisation
James Hampden
Towergate Risk Solutions

Apologies

Richard Gray

Towergate Risk Solutions

Andrew Jenkins welcomed everyone to the third East Midlands Compliance forum and went on to introduce Hugh Price, Director of Insurance at Hugh James Solicitors

Hugh gave a brief overview of insurance regulation. He stressed how important it was that business creativity and innovation should not be stifled by over regulation. He was concerned that over regulation could lead to a risk averse culture.

1. What's changing in Regulation?

- ICOB
- COB
- MCOB

- New COB (COBS) – CP06/19 – 350 pages
- Annex 6 – 401 pages
- Addendum – 8 pages

There are likely to be less prescriptive rules and a move to more principle based regulation. The FSA is inviting responses to this initiative (details on www.fsa.gov.uk). New COB currently relates to IFA but it is likely to be extended to insurers. Principles based regulation rather than firm rules may allow more scope for misinterpretation.

2. Treating Customers Fairly

A firm must pay due regard to the interests of its customers and treat them fairly.

There are 6 required consumer outcomes that should be central to the broker's corporate culture:

- Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture.
- Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.
- Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.
- Where consumers receive advice, the advice is suitable and takes account of their circumstances.
- Consumers are provided with products that perform as firms have led them to expect, and the associated service is both of an acceptable standard and as they have been led to expect.
- Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

Hugh said that brokers often made comments such as:

- "We're happy that we treat customers fairly"
- "We wouldn't have customers if we didn't treat them fairly"
- "We have no complaints so we must treat them fairly"

However, he stressed that these were merely assumptions which should be investigated. He added that senior management may well be seen as a barrier to TCF by the general workforce. Following FSA research with 400 financial services practitioners it was revealed that 33% saw senior management buy-in as the biggest barrier to implementing TCF! Clive Briault (MD of Retail Markets at FSA) commented:

"We want firms and their senior management to drive through and demonstrate achievement of the six TCF outcomes".

In particular it is important to be able to tick off the following actions:

- Lead from the top don't just delegate responsibility
- Analyse lapses and complaints
- Identify any training needs and implement training
- Ask your customers what they think
- Ask your staff what they think
- Revisit your own processes
- Meet deadline date of end of March 2007
- Cover the 6 customer outcomes
- Review TCF plan on a regular basis

3. Terms of Business Agreements ToBa

i. Benefits of a client ToBa:

- Sets out your relationship with clients
- Explains how you operate
- Explains where you source your policies from
- Shows your independence
- Explains how you will get paid
- If it's well written it satisfies the TCF requirements

ii. A Client ToBa should include the following:

IDD needs
ICOB rules – status disclosure
CASS - Clients' money
Legal – data protection, money laundering

iii. It should also include issues such as:

Cancellation of policy – what happens to the premium – is this always clear?
Validity of quotation – how long do quotations stand
Clients continuing duty of disclosure – and the consequences of their failure to do so

Acceptance of verbal or written instructions
Warranties/conditions/exclusions – and the importance of them
Ownership of file – often commercially sensitive information is held
Review is important - ToBa's should be reviewed every 12 months at a minimum
to reflect any necessary changes

Discussion

BIBA and ABI may well move to best practice concept and become even more important as organisations. This may rule out some errant brokers.

Whistle blowing may become more common. Brokers are stronger as a peer group working together.

Commission disclosure.

From feedback from the attendees it is felt that the FSA mandating on commission disclosure is not an appropriate outcome.

BIBA does need hard evidence that brokers are managing the situation themselves.
The E-Midlands region of BIBA will be e-mailing all its members to ask for confirmation of what they are doing to ensure transparency with clients.

Next meeting

27 March 2007 – 12.30 for 1pm
Leicester Squash Club, Leicester