British Insurance Brokers' Association

Progress update

Manifesto 2009

The best insurance is a BIBA broker

www.biba.org.uk

Member helpline: 0844 77 00 266

BIBA

Introduction

The British Insurance Brokers' Association (BIBA) launched its 2009 *Manifesto* in January, emphasising the importance of using a broker to obtain the most suitable insurance protection and risk management for UK businesses.

BIBA listened to its members and created a list of the key issues they wanted to raise with the regulator, the Government, European Commission and with the media.

The overall *Manifesto* theme is "access to insurance".

The *Manifesto* summarises the key priority issues for the year. What follows is an update on the progress made on members' key campaigning issues.

Eric Galbraith
Chief Executive

The National Assembly for Wales, Cardiff Bay, Cardiff

– Access to and availability of insurance

Equality

BIBA will continue its work with the Government to develop the Equality Bill and achieve a fair system for customers of any age, health condition, disability or social background.

Progress: BIBA has developed its relations with the Treasury and the Government Equalities Office and influenced the development of the Bill. BIBA has submitted a parliamentary briefing to the Standing Committee of the Equality Bill.

Members are able to access fairly priced insurance policies for consumers of all ages. BIBA does not believe there is a market failure for older or younger people seeking insurance (particularly travel or motor insurance).

On the Equality Bill:

- BIBA opposes unfair age discrimination
- BIBA supports proportionate risk-based pricing
- BIBA welcomes signposting these risks to brokers.

BIBA was part of the Treasury Financial Service Experts' Working Group on Age Discrimination – a report from this group was submitted to the team drafting the Equality Bill.

BIBA's response outlined its own vision of legislation as one that ensures fairness and signposting to help people, but does not force insurers to cover areas they have never dealt with and do not understand – particularly when there is no market failure. It is worth remembering that many BIBA members can arrange cover for almost all ages, gender and disability.

BIBA recommends within the Bill Clause 190: Age, Section 604: *where exceptions are referred to, there should be a suitable exception to allow the insurance industry to continue with a system of risk-based pricing, but with the support of the signposting solution*. This would allow maximum age limits to be permitted under any new legislation, and protect consumer choice.

Affordable insurance cover is available and if the Government was to support signposting then BIBA could help direct customers towards members for a seamless equitable solution.

BIBA is now responding to the Government Equalities Office consultation on the "exceptions" to the Equality Bill and is supporting option two – signposting and proportionate risk-based pricing. BIBA is delighted that the Government agrees this is their preferred option.

Affordability

BIBA will work to promote the availability of affordable insurance products for both personal and business customers.

Progress: BIBA has formed relations with consumer body Which? and the Citizens Advice Bureau which are now promoting the benefits of insurance brokers, particularly to those customers that need help arranging cover.

Internet sales

BIBA will call for the FSA to keep insurance comparison websites under scrutiny and promote best practice to ensure consumers are not treated unfairly or misled.

Progress: BIBA has engaged with the Comparison Consortium, the Association of British Insurers (ABI), the Financial Ombudsman Service (FOS), the Financial Services Authority (FSA) and some comparison sites. BIBA has seen marked improvements in the use of assumptions and the clarity of cover and excess. BIBA is continuing to press for improvements to these sites.

Understanding insurance

BIBA believes that good advice is an important element in ensuring correct cover. This is much more than simply providing information. BIBA members will help customers to understand their exposure to risk, the insurance protection that is most suitable for them and explain the technical details in everyday language.

Progress: BIBA commissioned research on the value of advice. A third of small and medium-sized enterprises which purchased through non-broker channels thought they received advice, when it is likely they did not. This received coverage in the national media.

BIBA has worked with the Government and now has information about insurance and brokers on the 'Real help for business now' website and the Department for Business Innovation and Skills website (BIS – formerly BERR and the DTI).

BIBA has also worked with the DVLA and BIBA's consumer helpline is referred to as the insurance solution in the key document *How to import your vehicle into Great Britain*, generating enquiries to members.

Terrorism cover in Northern Ireland

BIBA will campaign to make this cover available.

Progress: BIBA is continuing to review this area and discussions are still progressing cautiously.

Importance of the insurer

Raising the awareness of the importance of the selection of the risk carrier.

Progress: BIBA has made progress in raising this issue repeatedly in the media and among our members. BIBA also works closely with ratings agency Standard & Poor's.

– Business resilience

Flooding

BIBA will support the Government's work to deliver the recommendations of the Pitt Review and the Flood and Water Bill to achieve our aim of safeguarding UK properties.

Progress: The draft Flood and Water Management Bill has now been published for consultation and has been reviewed by the BIBA Property Committee. This is a major consultation paper and should implement many of BIBA's recommendations from the Pitt report. BIBA is also progressing its proposal of resilient repair with the Government and the insurance community.

BIBA has also recently responded to the DEFRA consultation papers – *The Planning Act* and the *National flood emergency framework.*

The need for insurance

BIBA will continue to work with the Government and all stakeholders to promote the importance of insurance protection and business interruption cover, particularly during the economic downturn.

Progress: BIBA has joined the Trade Association Council of the Confederation of British Industry (CBI) and has put forward views on the broking sector of industry, which should be shared at the top level of Government. The CBI has referred these views to the Economic Analysis Group and the Financial Services and Company Affairs Group. BIBA has also produced research from members that demonstrates that brokers have seen both commercial and personal lines customers reduce their levels of cover as a result of the economic downturn.

Continuity planning

BIBA will call for the support of the Government in campaigning for all businesses to set continuity plans in place.

Progress: BIBA has commissioned research to fully understand customers' understanding of business resilience, including business interruption. Results show that there is an increase in the number of cases with business interruption cover from 84 per cent in 2006 to 88 per cent in 2009. However, only 15 per cent of small and medium-sized enterprises are aware of the British Standards Institution's BS25999 in relation to business continuity management. BIBA continues to lobby this point with the Government, the media and CBI.

BIBA has also launched a suite of templates and checklists to help brokers with their SME clients' business resilience.

“BIBA successfully led the development of industry guidance for transparency, disclosure and conflicts of interest”

The Scottish Parliament, Holyrood, Edinburgh

– Regulation

Financial Services Compensation Scheme

UK insurance brokers and intermediaries can be subject to a levy to contribute towards compensating the customers of failed banks. The UK is the only EU member state where such a practice exists. We believe this to be unfair and will work to seek a review of the funding model.

Progress: BIBA has represented members on this issue to the Treasury, the FSA, the FSCS, the European Commission in Brussels and to numerous Members of Parliament. BIBA members should be assured we are doing everything possible to try to improve the current position.

Better regulation

We will continue to work with the Financial Services Authority (FSA) and the Treasury and maintain our working relationships with the Financial Ombudsman Service (FOS), Financial Services Compensation Scheme (FSCS), Better Regulation Executive and the FSA's Small Business Practitioner Panel to achieve better, cost-effective regulation.

Progress: BIBA lobbied the FSA for a rethink on its proposed fees and levies for 2009/10. This led to the FSA reassigning certain costs, leading to a smaller increase in fees and levies for a significant number of BIBA member firms. BIBA also led the development of industry guidance in respect of transparency, disclosure and conflicts of interest in the commercial insurance sector. This delivered a solution that members were involved in designing and is both appropriate and proportionate.

BIBA has a meeting planned with the Conservative front bench team to discuss their White Paper on financial regulation.

Principle-based regulation

We will support Government and regulatory initiatives to develop more appropriate and proportionate regulation in the insurance sector.

Progress: BIBA has worked closely with the regulator to focus more on outcomes-based regulation. BIBA has a formal relationship with the FSA and has promoted the issue that brokers should NOT be victims of increased regulation due to the failure of others in the financial services sector.

The FSA continues to move towards more outcomes-based regulation. Increasingly, this transition concentrates on principles and outcomes-focused rules, rather than detailed rules prescribing how outcomes must be achieved. Hector Sants, FSA CEO, noted in his foreword to the regulator's *Business Plan* for 2009/10 that it was better to call this philosophy of judging the consequences of the actions of the firms and the individuals supervised 'outcomes-focused regulation'.

This is a continuing process, which will require a significant change in behaviour by both firms and the FSA. BIBA argues that there is still much more that needs to be done in this area to ensure that the regulatory regime properly reflects the low risk nature of general insurance intermediaries' activities. BIBA will continue work to achieve this outcome, providing technical assistance to members and the FSA on areas of the regime which are still causing difficulty and where reduction in the level of regulation can be achieved without causing detriment to the consumer.

Level playing field

Working with BIPAR (the European Federation of Insurance Intermediaries) and the WFII (World Federation of Insurance Intermediaries) to achieve a level playing field for brokers both in the UK and in Europe.

Progress: BIBA has made critical progress in this area and has met with the European Commissioner responsible for revising the Insurance Mediation Directive (the IMD – the rules that the FSA follow when setting rules for the UK). BIBA is calling for the same rules to apply to anyone selling insurance, to create a level playing field.

– UK and Europe

UK as a financial centre

BIBA will work with the Government, the FSA and others to promote the interests of the UK insurance broking sector and its customers.

Progress: BIBA has joined the Directors Committee of its European trade association, BIPAR. BIBA has also set up its new London Market Region Committee (LMRC).

These committees work to protect the interests of members with such issues as the review of the IMD.

Reform of the insurance market

BIBA will maintain its focus on seeking positive reform within the market and ensure global competitiveness including working with the Law Commission on the simplification of insurance law.

Progress: BIBA has met with David Hertzel, the Law Commissioner, to represent members' views on the Law Commission's proposed changes.

BIBA's LMRC will also represent members' views on and keep members appraised of reform in the Lloyd's market.

Motor

Electronic certificates

To secure the legislative changes required to enable the electronic delivery of motor insurance certificates.

Progress: BIBA has made significant efforts to progress this issue. BIBA has met with the Department for Transport (DfT) and its lawyer and the Transport Minister. They have advised that the new regulations are complicated and are taking a little longer than expected and suggested it could take up to a further year to develop these regulations. BIBA feels this is unacceptable and subsequently met the Shadow Transport team to apply pressure. They raised the issue in Parliament and the latest official response from Government, as stated in the House of Commons, is:

"A first draft of the regulations has been prepared and is being discussed with the motor insurance industry; we aim to lay regulations before the end of year, if the proposed approach proves to be practicable".

BIBA subsequently wrote to the DfT, expressing concern regarding the delay and is working with them on some of the detail of the regulations.

Continuous insurance enforcement (CIE)

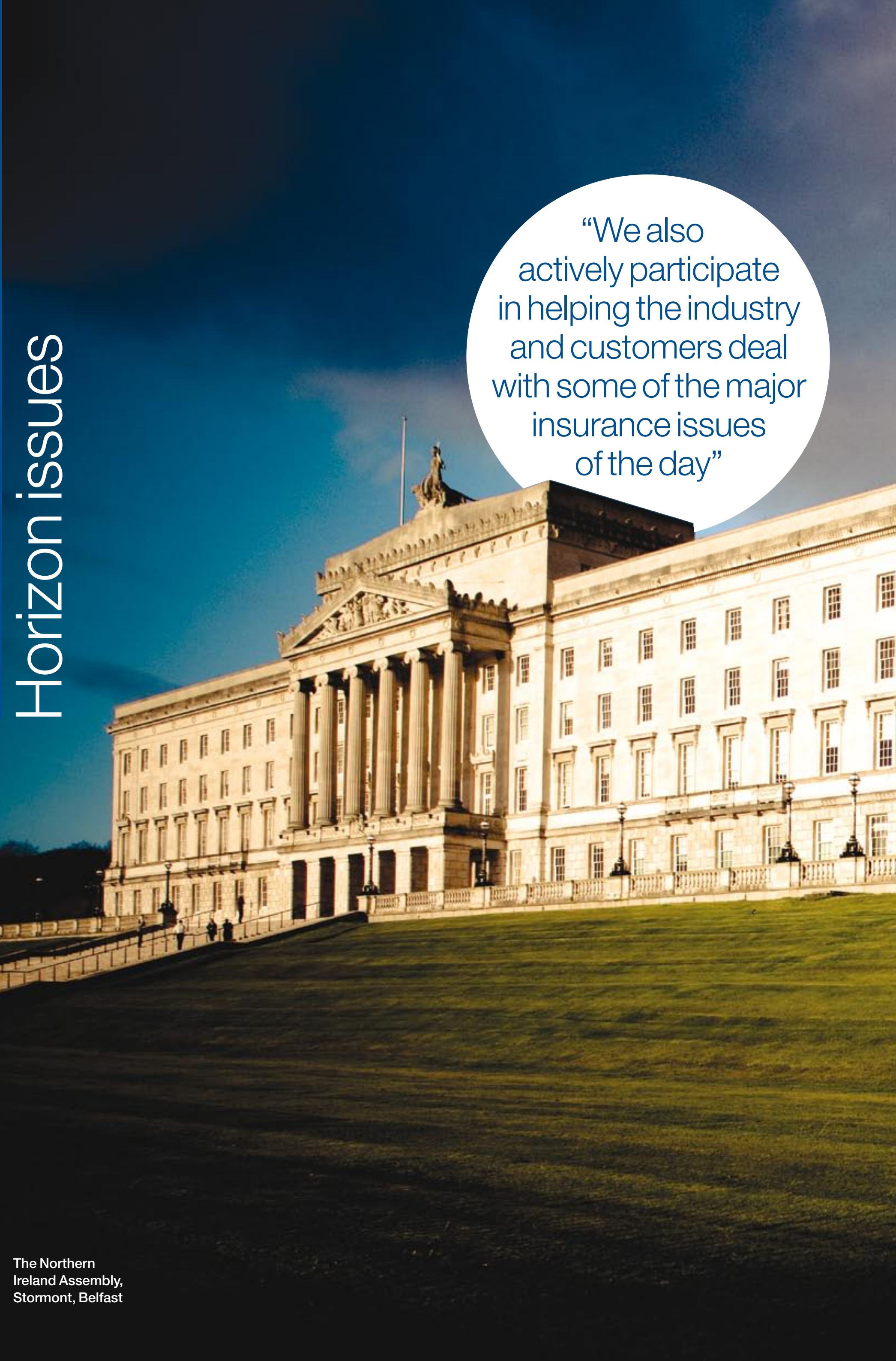
To help reduce levels of uninsured driving by continuing to press for implementation of the new enforcement system as soon as possible.

Progress: BIBA has joined the DfT CIE steering group and the Motor Insurers' Bureau CIE Strategy Board. Good progress is being made in the detailed development of the new regulations and we should see CIE implemented by the first quarter of 2011.

Driver enquiries

Fraudulent and non-disclosure of driving licence information is a significant problem. We are seeking improved access to the DVLA licence database to help verification of details. We are also calling for a fairer pricing structure.

Progress: The DVLA is currently analysing an extract of insurance records to identify the level of licence fraud in the insurance industry. When the results of this comparison with the licence records have been received, then further discussions will take place.



"We also actively participate in helping the industry and customers deal with some of the major insurance issues of the day"

The Northern Ireland Assembly, Stormont, Belfast

– Horizon issues

BIBA is already looking at new issues that may affect brokers. These include:

- The **Law Society** proposed changes to the way brokers deal with solicitors' professional indemnity. BIBA has rejected its calls for accredited Law Society broker status, contracted retainer letter and a code of practice and has instead developed the idea of a buyers' guide.

- **Accident management companies** offer a service to brokers and customers, however certain issues need addressing and BIBA has set up a sub-committee to investigate.

- BIBA's professional indemnity initiative is looking at the law of agency and the facts around **capping a broker's liability** with a customer.

- BIBA is actively promoting the benefits of brokers to the media and national press and will be working to encourage insurers to promote and support this.

To influence BIBA's lobbying agenda and *Manifesto* please contact the BIBA team below.

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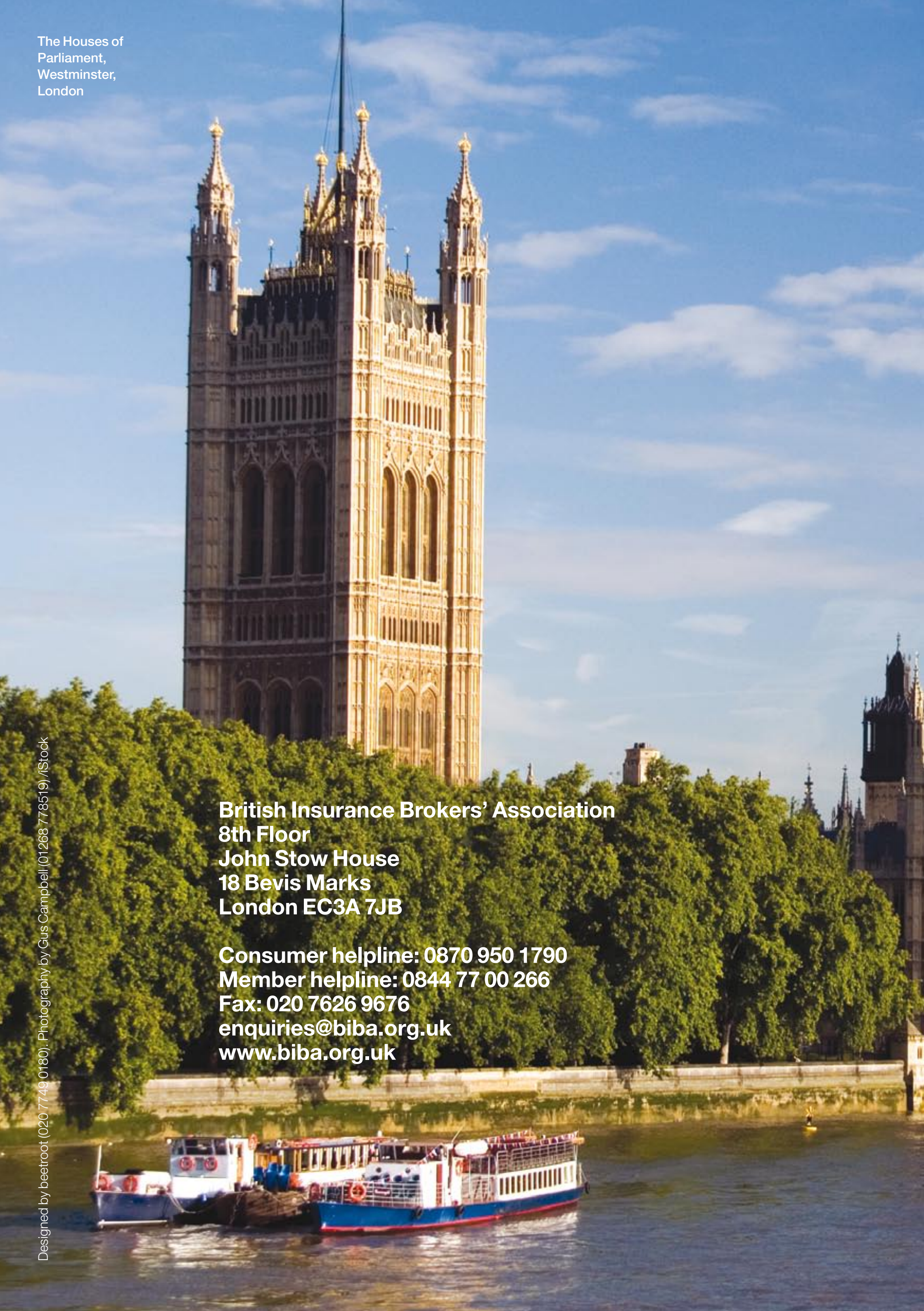

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