BIBA2010

BRAVE NEW WORLD

How technology can transform a broker's future

Insurancetimes


This way to Brokers

CONTENTS

CHANGING TIMES

A new government may be at the helm, but other changes are at the top of most delegates' lists for next week's Biba conference, says David Blackman

CHANGE IS DEFINITELY IN THE AIR following last week's general election. But political transformation is not the only – and not necessarily the most important – change being faced by brokers.

The folk at Biba have picked up on the uncertain zeitgeist with the title of this year's conference 'Professionalism in a Changing World', which takes place in London's Docklands – an area that was a grim, post-industrial wasteland not all that long ago.

For brokers, the changes resulting from technological innovation pose some of the greatest challenges. Broker Network's recent decision to establish a string of physical trading floors illustrates how many brokers, raised in the pre-internet age, have not kept up with insurers' greater reliance on technology.

The advent of direct distribution in the late '80s and more recently the price comparison websites have transformed the world of personal lines over the past two decades, with motor broking turning into a minority pursuit. The inevitable fear for the sector is that commercial lines will follow suit.

Meanwhile, the sums that insurers are spending on advertising and sponsorship demonstrate a determination to raise the profile of their brands. The more that these companies become household names, the easier they will find it to sell direct to customers from their own platforms.

> The more that insurers become household names, the easier they will find it to sell direct to customers from their own platforms

However, while it is often viewed as a threat, technology also offers brokers opportunities. By lowering the barriers to entry, some say that technology will enable firms to drill down into ever more specialised areas of expertise.

And social media outlets, like Twitter, offer scope for intermediaries to develop over a wider geographical area the kind of personal relationships that community brokers have forged for generations.

Meanwhile, at insurancetimes.co.uk we will be breaking new ground at this year's Biba conference by sending out delegate interviews and opinion, our own round-up of events, and details of our competitions, straight to your mobile device. Whether on the move via your mobile or laptop, or if you are stuck in the office, we will keep you up-to-date with all the news from the industry's biggest annual get-together.

The forecast for the future may be uncertain, but for one sure thing: the burying the head in the sand approach is not an option. See you next week. **IT**

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TOMORROW'S WORLD

Technology has transformed insurance. But for many brokers, it has meant little more than having to face a growing threat from price comparison sites. Delay no longer, says David Blackman. It's time to take a step into the brave new world of IT

MARK BATES LOOKS BACK AT THE conversations he had with senior brokers in the late '90s about how the internet would change the way they did their business.

"Nobody would believe me; they didn't think it would be the case," says the founder of RDT, the back-office IT provider for broker firms.

He is talking about the pre-dotcom boom days when lastminute.com co-founder Martha Lane Fox had yet to become a household name.

This anecdote illustrates how technology has transformed insurance over the past decade, calling into question long-established business models.

Does the next decade pose similar challenges? And what will the brave new world of broking look like at Biba 2020?

Brit's distribution director Tim Grant is confident that brokers are not an endangered species. "The broker is here to stay and, for the vast majority of commercial insurance companies, it will remain the favoured route. In particular, they will continue to be important in serving the needs of small and medium-sized enterprises and sole traders. Most businesses with fewer than ten employees will continue to be served by brokers."

And while Broker Network chairman Grant Ellis believes that issues such as regulation make the barriers to entry higher than they were, he is equally bullish about the sector's prospects in the years ahead. "There will be more brokers than there are today," he predicts.

Niche areas

But there are a lot of threats. Price comparison sites have transformed personal lines insurance, continuing a process initiated by the direct lines providers and pushing brokers into more niche areas, such as classic cars and motorbikes.

The issue for the next decade is whether commercial lines will face a similar change. And it is fair to say that principals of broking firms – typically aged 40 and above – are generally not the most tuned-in to technological change.

"The question is: when will the [commercial] market tip and to what degree will it tip?" Broker Network managing director Nick Houghton says. "I think it will be five to 10 years before we see a new generation of customers come through. The million-dollar question is, if they've bought their private motor from an aggregator site, will they buy their commercial insurance in a similar way?"

His hunch is that commercial insurance will not be transformed as dramatically as personal lines, as he doesn't believe most people will be comfortable entrusting their business insurance to an internet site. "This is your pension and you won't want to take a risk; insurance is quite a complicated business."

And while clients are becoming increasingly price sensitive and information ever more

accessible, Brit's Grant believes clients still want to talk to a real person.

As Houghton speculates: "Will we ever get away from a broker, an insurer and a customer sitting down together? It's still a people business."

But how they carry out those conversations is changing with the growth of social media opening up fresh channels of communication (see 'What's happening?', page 29).

Pancentric Digital's James Prebble, who is holding a workshop at next week's conference, believes that social media gives brokers the opportunity to provide an intimate service to customers, even if they are at the other end of the country.

Social media can play to brokers' strengths in other ways too, he argues. While insurers are constrained by the corporate nature of the institutions that they work for, brokers can be far more agile in the way they use social media.

Prebble adds that new technology, such as the soon-to-be launched Google Wave, will enable people to better view the same pictures – which could be especially useful when discussing claims, for example.

Meanwhile, RDT's Bates predicts that the creation of increasingly integrated IT systems will make guaranteed rates a thing of the past.

Exploit the opportunities

IMAS Corporate Advisors' Olly Laughton-Scott agrees that, rather than viewing new technology as a threat, brokers should be alive to the opportunities it offers (see 'Standing out from the crowd', page 11). The web is lowering the barriers to entry, he says, enabling niches to be exploited more effectively than in the past. "One of the impacts of technology is that people are increasingly coming to you if they think that you have something for them, so you need to differentiate yourself."

Therefore, he believes that insurance broking is seeing "ever-more tailored products being offered both in terms of general marketplace and affinity.

"If you reduce the cost of distribution, you can reduce the size of the market that you sell to. Twenty years ago, brokers were in the high street and had to serve everything that came through the door, but on the internet, if you are searching for a little bit of x, y or z, you can find it."

Prebble agrees: "These platforms allow brokers to be specialised and find the special interest group of their niche.

"The more generalised you are, the more you are competing on a level playing field with big aggregators, which is difficult because of the spend that they have," he says. "Social media enables you to compete without spend."

As a result of these changes, Laughton-Scott dismisses predictions that the market will be dominated by five big brokers.

Instead of a 'one-size-fits-all' industry, he believes that whatever their size, companies will need to find a unique selling point. And that includes behemoths like Aon and Marsh.

"For them, the USP might be size and ability to serve markets on a multinational basis," he says.

Ellis says that the changing and increasingly commoditised nature of insurance means more focus on advice.

"Brokers have a great future, provided that they understand they are in the advice business. If you go back to the early '80s, you went to a broker to get motor insurance because they were the only people who could compare prices. If you need to compare prices now, you just go on the internet.

"The clever brokers have started to embrace the idea that their job is to give customers advice about what to buy, and then source the products and look after their customers' management of risk."

That is especially true for small brokers, he insists. "Nobody's talking about the demise of the small accountant – you go the high street here [in Knaresborough] and there are two or three accountants. Those who are there to meet the accountancy needs of SMEs will be on first-name terms with their customers. The broker is the insurance equivalent of those high street accountants."

Laughton-Scott says that the ability to offer continuity is a key selling point for smaller outfits. "The problem with large brokers is that you see somebody for two years and then they move on; it's something that they always struggle with."

Brokerbility chairman Ashwin Mistry agrees: "Brokers who get close to their clients will prosper." He also argues that the key for future success is for brokers to establish themselves as wider business advisers and problem-solvers.

> **'Most meetings with clients are not about insurance. We're becoming a useful conduit on business issues'**
> *Ashwin Mistry, Brokerbility*

Perhaps, counter-intuitively, he argues that top-quality advice will become more prized in a low-growth economy. "Most meetings with clients are not about insurance. We're becoming a useful conduit on issues such as business location.

"We can share best practice amongst clients. There's going to be massive demand for our advice," he says, adding that creating better relationships will give brokers more opportunity to cross-sell.

And nurturing relationships could become more valuable in what is likely to be a less deal-fuelled environment.

Lower valuations

Despite reports that private equity outfits are beginning to rebuild their war chests, credit is unlikely to be as accessible as in the pre-crash lending boom. Mistry argues that firms have to plan for a future in which they will achieve much lower valuations than they may have got used to.

"With multiples of 1.5 to 1.8, there is more need for succession planning because you won't just be able to think in terms of exiting," says Mistry, who believes that a hike in the rate of capital gains tax is likely to be one of the first targets of the new government, giving principals another incentive to hang on to their businesses.

"There are opportunities for people who are prepared to stick it out. If you take your money out, what are you going to do?"

He is one of the many who detect a growth in the number of new businesses, as individuals start up again with the profits they have made by selling to consolidators, or go out on their own because they don't want to work for a large company.

Biba chief executive Eric Galbraith believes that even though the current climate may be difficult, the prospects for broking are bright. "There are huge opportunities for our sector; brokers are still valued. We still offer a great service."

The tools of the trade may change, but the professional broker's traditional skills can, with the right approach, remain as valuable as ever. **IT**

FIND OUT MORE ONLINE
Go to **insurancetimes.co.uk** and search for: *Don't get left behind* [29/04/2010]

STANDING OUT FROM THE CROWD

Small brokers may be the flavour of the month, but for how long? Danny Walkinshaw reports

IT'S BEEN A ROUGH TIME FOR BROKERS. Some may have come through the recession unscathed, but most are still licking their wounds. Take a moment to think about the small independents. They've survived the worst, but what next?

Small brokers are the flavour of the month, with about a dozen networks competing for a slice of insurers' pies. They can't argue about a lack of support, that's for sure.

But with that ultimately comes the challenge. In a market packed with consolidators and regional mega brokers – and don't let us forget the aggregators – competition has never been so fierce.

How can small brokers compete? For many, it is about continuing to offer the traditional services that their clients know and love. But according to Biba's Graeme Trudgill, the key is the ability to differentiate.

"The most successful small brokers at present are those that specialise in a certain area," he says. "Some smaller guys are doing well: anyone that has a good niche and expertise, or a particular market on their doorstep that they are good at. We are seeing a lot of success."

But how can a small broker without a stack of cash make an impact? A good starting point is the internet. "If they can get a brand and get it out there, they don't need a massive office and loads of people," Trudgill emphasises. "There are massive opportunities. It is a challenging atmosphere, but there are always opportunities for a smart broker."

> 'If brokers can get a brand and get it out there, they don't need a massive office and loads of people'
> *Graeme Trudgill, Biba*

Also in their favour, he says, is the ability to maintain close relationships with clients. "That ties in with the local theme – offering local, immediate personal service – which some larger brokers aren't so easily able to do because they don't have a branch in that village or small town. They are often a small, focused team and they know their customers. Service is important and the customer often gets to meet the boss."

The rising cost of regulation – such as the £1,000 minimum fee to the FSA – is a major burden. As is the threat from the Financial Services Compensation Scheme, which has raised its levy pot to £61m in the next financial year.

But Aviva's intermediary and partnerships director Janice Deakin urges small brokers "not to be scared" of the issue. "They need to deal with the regulatory environment in a way that is efficient with their business because it can cripple them." She predicts a bright future for >

> **'It's very hard to find your unique selling point when there are thousands of brokers competing with you for the same customers'**
> *Robert Marshall, Trident*

brokers because they are "amazingly resilient" and "have an ability to regenerate themselves".

In summary, Trudgill admits that small brokers will need to "have a plan." He warns: "We see people struggling from day to day, but you have to think beyond that and say in two, three years, how is the market changing? Consumers are migrating to the internet and so if you are not selling on the net now, how are you going to cope if your customers aren't walking through your door?"

But he says that in a changing world, brokers – known for their entrepreneurial spirit – will be quick to identify the next big opportunity. They'll be around for a while yet. **IT**

FIND OUT MORE ONLINE
Go to **insurancetimes.co.uk** and search for: *Interview: Grant Ellis* [22/04/2010]

Peter Smits, managing director of Ashbourne Insurance

Ashbourne Insurance is an independent local broker based in Hertfordshire, with two offices and more than 20 staff. Managing director Peter Smits says the business has switched focus solely to the high street in recent years. "We've become incredibly introverted over the past 18 months to two years. Whereas before we were out there fighting tooth and nail for any piece of business anywhere, we've almost reined in what I call mainstream insurance.

"The whole focus now is our own high street. The one massive advantage we have, that no one else can compete with, is that we are on our own high street."

He says the broker, with gross written premiums of around £5m, could become niche oriented, targeting areas including taxi insurance and high net worth household.

"There are niches within what we are doing, but that wouldn't stop me servicing my local car or home owner," he adds.

He says the broker has actively taken steps to build its profile among its local business community. He wants it to achieve growth of about 8% this year and claims the major challenge is insurer commitment. "The biggest threat is declining markets. But I'm really encouraged that a lot of the larger insurers are coming back and saying 'we want to talk to you'."

Neil Grimshaw, director of Ravenhall Risk Solutions

Neil Grimshaw founded Ravenhall Risk Solutions in 2006. In the more than three years since, the West Yorkshire-based commercial broker now employs 10 staff with GWP of about £4.5m. Grimshaw says the business has stuck to its guns as a traditional broker while launching a handful of specialisms, including the design of a product for pregnant travellers. Ravenhall also entered into an affinity partnership with the Association of British Riding Schools that Grimshaw says has gone from "strength to strength".

He claims the company's strategy includes employing "the right people that fit our profile of the way we do business" and "using technology to its upmost".

And the key to survival? "Not to continue to be a small broker. We hope to get out of that bracket soon." Competition also ranks high among potential challengers, he says. "We are going to become a target in the next two years – people are going to see us as a company that they want to take business off."

Robert Marshall, chairman of Trident Insurance

Trident Insurance is a small broker based in Ilford, Essex, with 10 staff and GWP of around £2m. Chairman Robert Marshall says one of the key successes behind the business – which offers quotes online and doesn't consider itself a 'local broker' – was the move into wholesale broking, such as fleet. "We've now got 200 brokers signed up to us and it makes a lot of difference to the way we do our business," he says. "It's brought us into contact with other brokers who, hopefully, we can do more things with."

The broker deals with predominantly SME and private clients. Marshall hopes to pick up more commercial business, but admits that it is "really hard grafting". The company has, however, established a link with the Tennis Industry Association, where anybody that has business through it can quote through Trident.

"It's very hard to find your so-called unique selling point when there are thousands of brokers competing with you for effectively the same customers," Marshall says. His plan is to be flexible and look at new areas "where the level of competition is not so outrageous so not to be worth the time and effort".

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5 calls for change

Following last week's general election, we offer the soapbox to senior industry figures to say how they'd like the new government to regulate general insurance

No.1
THE RIGHT TOUCH
Steve White
Head of compliance and training, Biba

Nothing focuses minds on change more than general elections. Ever since the Conservative party published its plans for altering the regulatory architecture last autumn, the intermediary sector (among many others) has been contemplating change.

So, focusing on the future, what changes would I like to see?

1) Cost
It's a fact that insurance intermediaries in the UK are faced with the highest regulatory cost burden in the EU. These costs are driven primarily by the weight of the FSA's rule book and the manner in which it supervises firms. Casting our minds back 10 years to the time of the General Insurance Standards Council and the Insurance Brokers' Registration Council, both bodies simply had an insurance remit, with rule books and fee structures to match. I would suggest the challenge is to bring a much more insurance-focused approach to rule-setting and supervision, which would allow regulatory costs to better reflect the low level of risk that we collectively pose.

2) Style
One of the many frustrations that our members share about the current regulatory regime is that the FSA spends too much effort on 'this week's theme' and not enough on what is really important. While there might be an element of hindsight, the point is generally well made. Members would like to see the regulator engaging more closely with the sector on the key issues.

3) Financial Services Compensation Scheme
There must be a fairer way of funding compensation! Biba continues to lobby for better and more appropriate regulation for insurance intermediaries – the 'right touch', as we call it.

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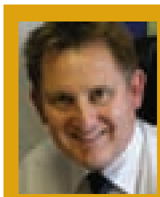


No.2
WHY WE NEED AN INSURANCE TSAR
Grant Ellis
Chairman, Broker Network Group

We have a regulator that is a 'jack of all trades': banks one minute, insurance the next, independent financial advisers after that – the list goes on. Only a small percentage of the people who work for the FSA has a background in any of these fields, drawn as they are into the new career opportunity of professional regulator.

It is well known that the best sports referees are former players who, having retired, become officials. They know what players are up to, they know all the tricks of the trade, they know who's genuine and who's faking. They know because they have been there. It is the classic 'poacher turned gamekeeper'.

Football is the significant exception. It has 'professional referees'. If you want to become a top official, you need to start young; too young to have been a player before turning your hand to officiating. They are the career referees. True, some are excellent, but many are not – and far too many have the wool pulled over their eyes all too easily by canny players. Miles of column inches and hours of punditry are dedicated to their lack of playing experience. Surely the pundits should be encouraged to take up the whistle?

The FSA not only adopts football's approach of professional referees, but they are also expected to switch sports too – to broaden their experience! So we now have a football referee officiating at a cricket match. But don't worry, he'll pick it up really quickly because he's a professional and that's his job!

They will never 'pick it up' well or quickly enough. There is no substitute for experience. How many in the insurance industry knew that something was awry at Independent in early 2001? How many of us are surprised at what has happened to Quinn? Very few, because we're all steeped in this industry that we eat, sleep and breathe every day. No 'professional regulator' will ever touch this level of involvement.

I would like this new government to appoint a specific regulator of the insurance industry; someone who is not only steeped in the industry but who is surrounded by people who are. No cross-over into financial advice, or banking or any other financial derivative – no, simply insurance, which is surely complicated enough on its own.

An 'insurance tsar' – apolitical and therefore more able to be proportionate and far more likely to address the issues that are actually issues, rather than those simply perceived as such from a tower block in Canary Wharf.

'Let's get this debate right. A freely flowing insurance industry is the oil that lubricates our economy. More regulation is not always the answer'
David Thomson, CII

No.3
OUR INDUSTRY CAN REGULATE ITSELF
David Thomson, *Director of policy and public affairs, Chartered Insurance Institute*

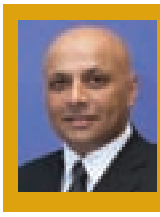
There is no doubt that there is a strong move towards tougher regulation worldwide, not just in the UK. Brokers might be rightly concerned that insurance is caught by the collateral damage of regulatory imposition, but such sector distinctions mean little to the public.

It is nevertheless vital for politicians to get this regulation debate right, and not fall victim to that age-old desire of governments to 'do something' in response to crisis and public opinion. A freely flowing insurance industry is the oil that lubricates our economy. More regulation is not always the answer. But at a time when public trust and confidence are low, any solutions must be grounded in addressing these concerns head-on.

The CII is already promoting better standards in the sector through initiatives such as the Aldermanbury Declaration, developed in partnership with the industry, including Biba. Initiatives such as this, which demonstrate insurance is a profession that deserves trust, prove the advantages of self-regulation and, we hope, will pave the way to similar work with the new government in creating mutually beneficial outcomes.

Allied to enhanced professionalism is an improved training and development infrastructure. The CII is one of this country's largest adult awarding bodies, and we provide training for our sector with little or no resort to the public purse. We believe much could be done to streamline the learning and development system, especially for SMEs. Meanwhile, this new government should provide more incentives for work experience, placements, internships and apprenticeships to help make professions like ours fairly accessible to the best talent.

We share the politicians' ultimate goal: securing and justifying greater public trust. However, we believe that more regulation need not be the only solution. >



No.4
IF IT AIN'T BROKE …
Ashwin Mistry OBE
Chairman, Brokerbility

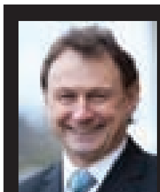
The present FSA works for us – we are not banks – so why mend something that is not broken? If the FSA has failed, it has failed in banking supervision, not insurance broking.

Also, we believe that, as a profession, we need to get our act together quite quickly and be able to speak as one voice. Any lobbying we do needs to be co-ordinated, structured and meaningful.

As a general point, any moves on regulation need to continue to develop the existing regulatory regime in a 'consultative manner' with Biba as the single voice for representing the broking community.

And ministers need to get realise that general insurance is about far more than car and household insurance. Regarding specific issues:

- Insurance premium tax: This could be quite an easy target and, with the present economic climate, any increase in business costs will be an issue. So, in short, leave it alone. If it is increased, however, then perhaps it should only be allowed as an offset against any planned hit via the FSCS levy.
- Insurance fraud: Additional punitive legislation should be enacted to severely penalise those caught and convicted. It would set an example and is well overdue.
- European Commission: The new government needs to get a handle on the Commission's directives and over-zealous bureaucracy, and address any 'gold-plating' of EU directives.
- Employment: Finally, the independent broking sector can provide great opportunities for graduates and school-leavers. The new government should encourage businesses of all sizes to take on and train staff for the sector and UK plc in general.



No.5
TRUST IS NOT SUFFICIENT
Andrew Linnell
Hansen Young Consulting

Should a new regulatory regime be based on rules or principles? The likelihood is that a rules-based environment would be designed for higher-risk operations and leave many businesses with an over-engineered compliance regime.

Perhaps we should aim to keep a principles-based environment. This would allow each firm to create the most appropriate compliance framework for it and the markets that it operates in.

All my research respondents welcome the FSA's client money and solvency requirements. Today's consumers rightfully expect that their hard-earned cash is secure when they hand it over to a professional adviser.

Anyone would be shocked to hear that, in the distant, pre-regulation era, it wasn't unheard of for an intermediary to become confused about who the money in the bank belonged to and that this 'confusion' led to undesirable and unfortunate results for the customer. These requirements should be translated into plain English, however, so that it does not require an accountancy qualification to understand them.

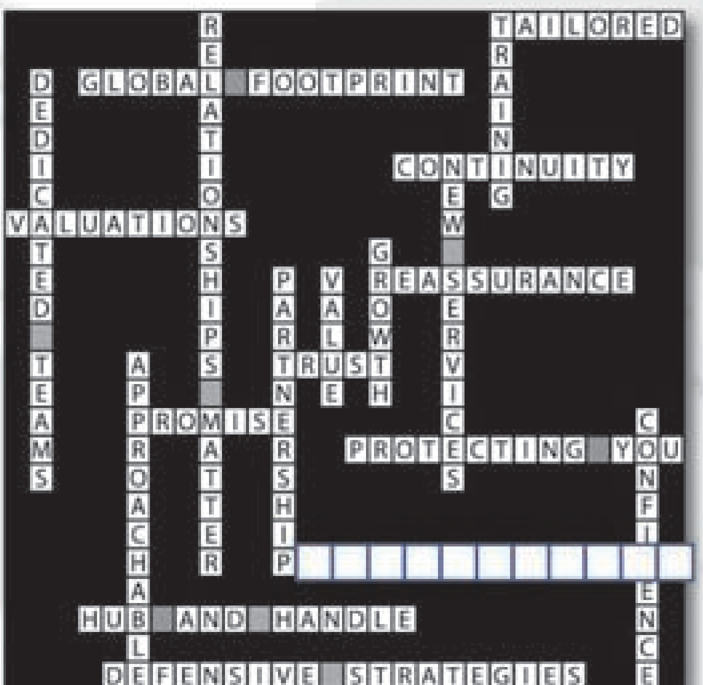
The FSA's 'Treating Customers Fairly' principles are plain good business practice that must stay in place. They provide a basic framework for the broker to build a great service on and so demonstrate our professionalism as an industry. Indeed, many brokers have done just that and used the framework to build improved communication and understanding with customers.

I can't imagine that many will argue with the proposal that much of the above is sound business practice, but some may take issue with the need to 'evidence' activities.

In an ideal world, it could all be left to trust. Sadly, experience suggests that organisations under pressure lose sight of some aspects described above. Once this happens, it can be difficult to pick them up again, so a philosophy of 'trust and verify' helps us all to focus on maintaining good business practice. **IT**

FIND OUT MORE ONLINE
Go to **insurancetimes.co.uk** and search for: *Let battle commence* [08/04/2010]

YOU NEED *SKILL*, *PATIENCE* AND *INGENUITY* TO PROBLEM SOLVE



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For a chance to win an England 2010 jersey signed by Rio Ferdinand, solve the final word in this puzzle and bring it to stand B14. *Hint: A person who is an expert at their work (12)*

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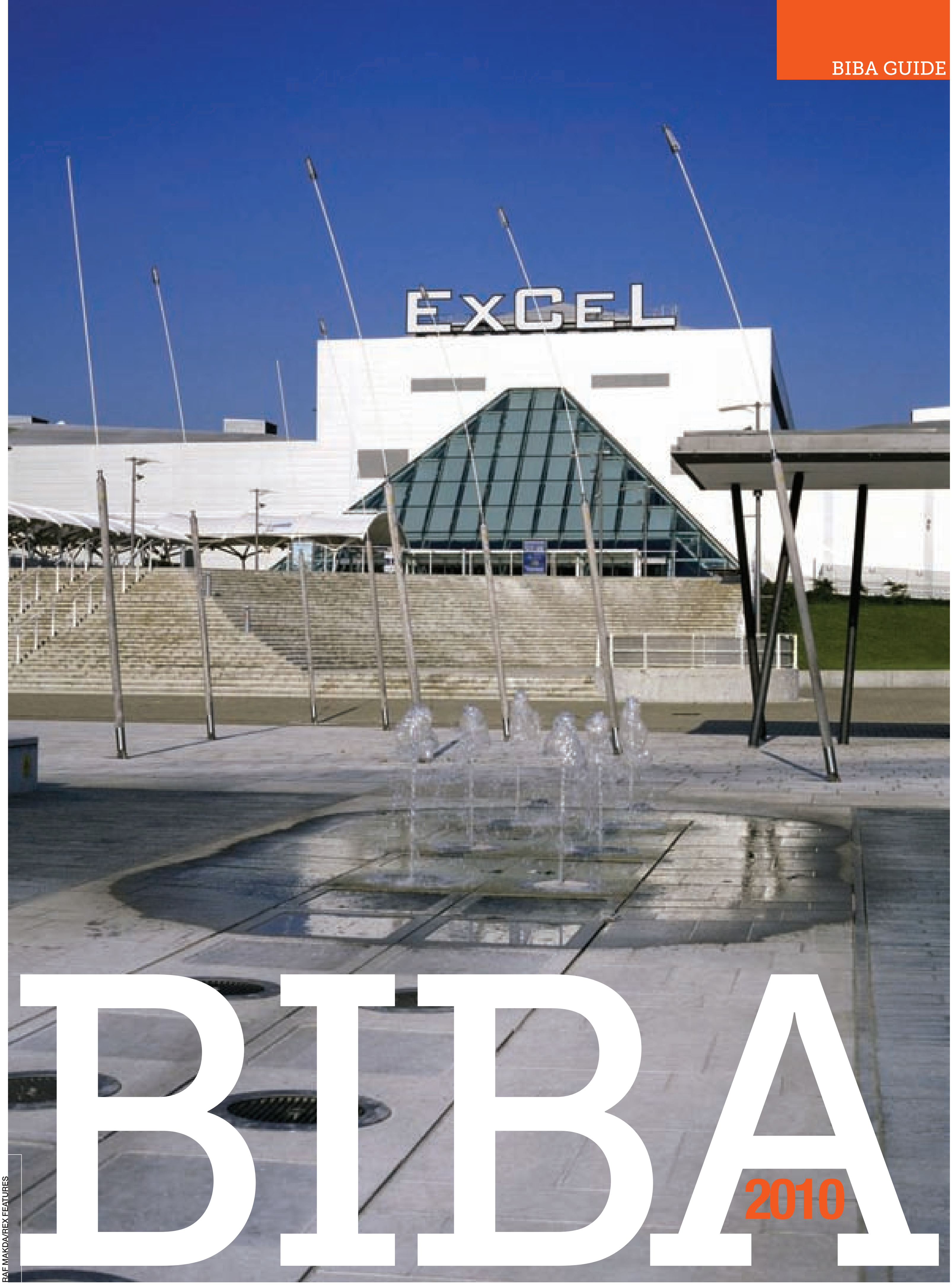

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Conference schedule

WEDNESDAY 19 MAY

08.30 Exhibition opens
10.00 Conference opens
10.30 **Keynote presentation:**
The need for total transparency
Joe Plumeri, chairman and chief executive, Willis
11.15 Refreshment break and networking session in Exhibition Hall
11:45 Fringe sessions:
Professionalism of Olympic proportions, with Sir Steve Redgrave (Allianz)
Informal networking (Fortis)
12.30 Lunch in Exhibition Hall
13.00 **Fringe session:**
Riding the storm (Biba)
14.10 **Keynote presentation:**
From Cambridge to Kabul: the consistent dynamics of a changing world
John Simpson CBE
15.00 Refreshment break
16.10 **Seminar sessions** (choice of three):
Claims wars! – The motor session
Patrick Smith, chairman of Swinton and Biba;
Phil Bird, director of claims, Groupama;
David Sandhu, chief executive, Ai Claims Solutions;
Motoring journalist Quentin Willson (chair)
Getting British businesses online: practical help for brokers
Emma Thorn, special projects manager, Enterprise UK
Real business issues – real business solutions
Jonathan Clark and Harry Roberts, Cunningham Lindsey UK
17.30 Exhibition closes

THURSDAY 20 MAY

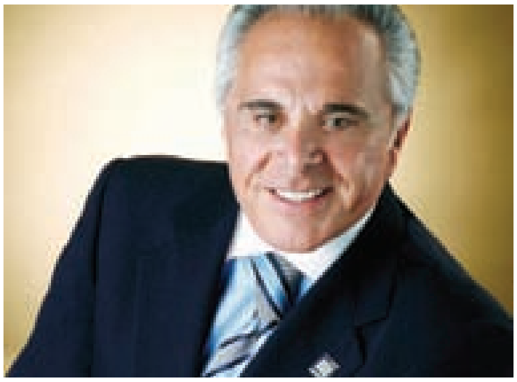
08.30 Exhibition opens
09.30 **Keynote session:**
The changing world debate
Chaired by Jonathan Dimbleby
10.30 **Seminar sessions** (choice of three):
Strength under pressure
Bomb disposal expert Chris Hunter, QGM
Facebook? Twitter? LinkedIn? Are social networks a complete waste of time? Or the next big thing in broker marketing?
James Prebble and Bryan Bosak, Pancentric Digital
Professionalism in broking – we're only as strong as our weakest link
A panel debate organised by the Chartered Insurance Institute
Chris Hanks, general manager, Allianz Commercial;
Julian James, chief executive, Lockton International;
Stuart Reid, chief executive, Bluefin;
David Slade, chairman, Perkins Slade
11.20 Refreshment break
12.10 **Keynote presentation:**
Dimbleby quizzes Lumley
Joanna Lumley OBE interviewed by Jonathan Dimbleby
13.00 Lunch in Exhibition Hall

13.45 Fringe sessions:
Aldermanbury Declaration (CII)
Trade credit insurance – under the spotlight
(Trade Credit Group)
14.30 Networking session in Exhibition Hall
16.00 Conference closes

The keynote presentations

The need for total transparency

Joe Plumeri



WEDNESDAY 19 MAY
10.30
In 2004, Joe Plumeri decided that Willis would become the first major insurance broker to refuse to accept contingent commissions. The Willis chairman and chief executive will discuss this and his other efforts to redress a lack of trust in corporate governance, including the company's 'client bill of rights'.

From Cambridge to Kabul: the consistent dynamics of a changing world

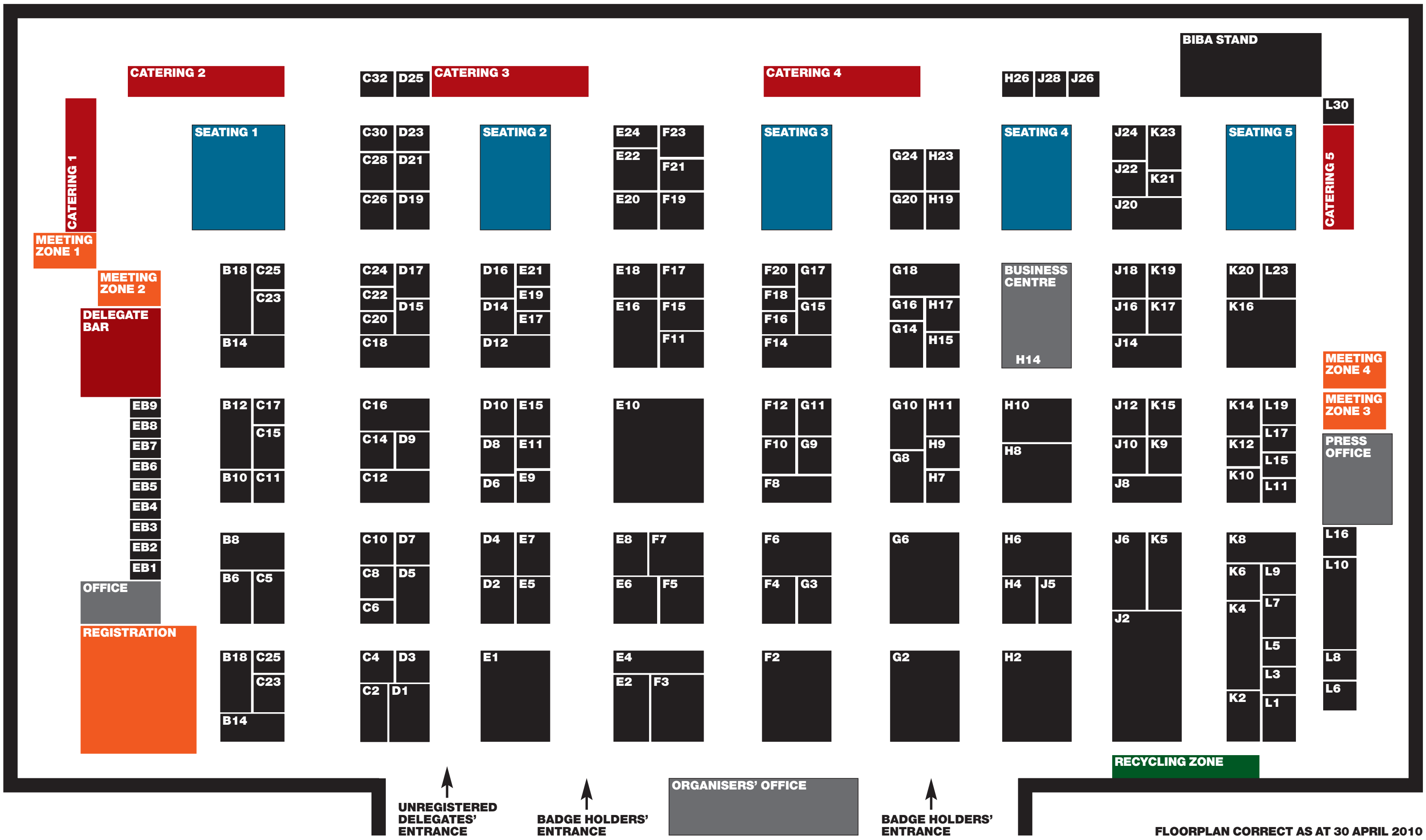
John Simpson CBE

THURSDAY 20 MAY
14.10
John Simpson is one of the most familiar figures in British television news. From Tiananmen Square to the Berlin Wall, from Baghdad to Bosnia, the BBC world affairs editor has been there when the big events have taken place. Now the man who 'liberated' Kabul comes to the Biba conference.

Dimbleby quizzes Lumley

Joanna Lumley OBE

THURSDAY 20 MAY
12.10
After making a splash as a *Bond* girl, Joanna Lumley achieved television immortality as Purdy in *The New Avengers*. More recently, she was best known as Patsy in *Absolutely Fabulous* before hitting the headlines last year with her successful campaign for Gurkha veterans to settle in the UK. She will be quizzed by Jonathan Dimbleby.



FLOORPLAN CORRECT AS AT 30 APRIL 2010

Exhibitors

Abbey Legal	H11
Accidents Happen	**EB5**
Ace European Group	E15
Acturis	**D3**
Affiliated FM	G18
Ai Claims Solutions	**C26**
Airmic	F21
Allianz	**J2**
Alternative Risk Management	F10
American Appraisal	**J20**
Amlin UK	E18
Angel Underwriting	**K10**
Ansvar Insurance Co	EB4
APC Underwriting	**E4**
ARAG Legal Services	H15
Arc Legal Assistance	**G9**
Arista Insurance	H7
Aspray	**D14**
Atradius	D7
Aviva	**E10**
AXA Insurance	F2
Baker & Co	**C28**
Beazley Group	D1
Bexhill UK	**J22**
Biba	L25
Bluefin	G17
briefyourmarket.com	**C14**
Broker Network	C12
Bureau Insurance Services	**C24**
CallCredit	K23
Call Zebra	**G15**
Carraig/Direct Commercial	E6
Casualty & General Insurance Company (Europe)	**C6**
Catlin UK	G11
CFC Underwriting	**C11**
Chartered Insurance Institute	K16
Charterfields	**K14**
Chartis Insurance UK	E1
Chaucer Insurance	**H10**
Chartered Institute of Loss Adjusters (CILA)	L14
Citybond Suretravel	**J24**
Claim Experts	K21
Close Premium Finance	**C18**
C N A Europe	F6
Cobra London Markets	**K4**
Cobra Network	K4
Cohesion Design	**L9**
Compuquote	C15
Countrywide	**C12**
Coverpoint Systems	EB3
Crawford & Company	**F11**
Credit Resource Solutions	EB8
Cunningham Lindsey (UK)	**B14**
Daisy Communications	L16
DAS Legal Expenses	**C5**
Davies Group	B10
Defaqto	**F18**
Ecclesiastical Insurance	F5
Electrical Contractors' Insurance Co	**B6**
Equity Red Star	K19
Euler Hermes UK	**C10**
Evander Glazing & Locks	J5
Event Insurance Services	**D16**
Evolution Underwriting	D5
Figtree Systems (Europe)	**G16**
Financial Ombudsman Service	C20
Financial Services Authority	**L15**
First Recovery	D12
FirstAssist Legal Protection	**J16**
Fitch Ratings	C30
Fortis	**F8**
Freeth Cartwright	L3
GAB Robins UK	**H23**
Gallagher Environmental	E24
Government of Gibraltar	**K9**
Groupama Insurances	H14
Guernsey	**J6**
Harris Balcombe Group	F20
Hays Specialist Recruitment	**F15**
HCC International Insurance Company	J8
Heritage Insurance Management	**K8**
Hiscox Insurance	H6
Home & Legacy	**G3**
Howden Insurance Brokers	E9
HSB Engineering Insurance	**G20**
IGI Insurance Company	E21
Ignition NBS	**D23**
Imperial Consultants	D4
Infoterra	**J10**
Insurance Age	F14
Insurance Times	**D8**
Isle of Man Finance	C23
JR Clare	**D17**
Jacksons Claims Group	H26
Jubilee	**D10**
K Drewe Insurance Brokers	J26
Keelan Westall inc BIBAlet	**G14**
Kindertons Accident Management	B18
Lawshield UK	**E19**
Leadcall	L10
Legal & General	**F3**
LFC Shield	D9
Lindenhouse Software	**L17**
Lockton	F19
Lorega	**H19**
Lyons Davidson Solicitors	C8
LV=	**H8**
Markel	E2
Markerstudy Group	**G8**
Marketform	H17
MIB & DVLA	**B12**
MSL Legal Expenses Insurance	K6
Nacora Insurance Brokers	**K17**
NIG	G2
Northern Marine Underwriters	**K5**
Novae Group	D15
Online Insurance Jobs	**F23**
Open GI	F17
Paladin Underwriting Agency	**E20**
Palladium Insurance Marketing Services	L1
Pancentric	**K12**
Peninsula Business Services	K20
Pinsure - Pi4U	**EB2**
Post Magazine	F14
Premium Credit	**F12**
Professional Broking	F14
Professional Insurance Agents	**E7**
Provident Insurance	D19
Provisional Marmalade	**L6**
Proximo	F4
Pythagoras	**D2**
QBE	E16
Qdos Broker & Underwriting Services	**C32**
Qliktech UK	F16
RKH Wholesale Solutions	**L11**
RL Davison & Co	E17
Rok	**B8**
RSA	G6
Rushton International	**J12**
RWA Compliance Services	L5
RWS Group – Insurance Translation Division	**D21**
SSAIB	C22
SSP	**F7**
Standard & Poor's	H9
Stephensons/Morisons Solicitors	**EB1**
Sterling Insurance Group	D6
Stride	**C17**
Supercover Insurance	L23
Swinton Group	**G24**
Tasker & Partners	C4
Temporary Cover	**G10**
Thatcham Research Centre	C25
THB Group	**H4**
The Co-operative Legal Services	K15
The Insurance Charities	**L7**
The Insurance Network	EB6
The MPLC	**L19**
This Insurance	E11
Thomas Miller Advisory Services	**J18**
Tokio Marine Europe Insurance	K2
Towergate Partnership	**H2**
Transactor Global Solutions	E22
Travelers Insurance Company	**E8**
ULR (Uninsured Loss Recovery)	C16
Vertafore	**E5**
Willis Networks	J14

INSIDER'S GUIDE TO THE DOCKLANDS

Want to venture further than the ExCeL Centre? East London is full of treasures – and horrors – most of them within a 20-minute journey on the Docklands Light Railway. Mark Leftly guides you around the coolest areas (and the less salubrious), and showcases the fantastic restaurants and pubs that are on ExCeL's doorstep ...

Three places to VISIT

Greenwich

This lively suburb where time starts is also the location of some of London's most spectacular architecture. A tiring climb up to the Royal Observatory in Greenwich Park is well worth the effort for the stunning view: in the foreground is the elegant National Maritime Museum, while the glass towers of Canary Wharf gleam in the distance. The covered market is a joy, full of home-made costume jewellery, unusual paintings, and tasty street food. Downsides? The famous Cutty Sark clipper ship is closed for restoration following a fire in 2007, and the restaurants are generally overpriced and of dubious quality, bar the odd notable exception (see the entry for Mogul on page 26).

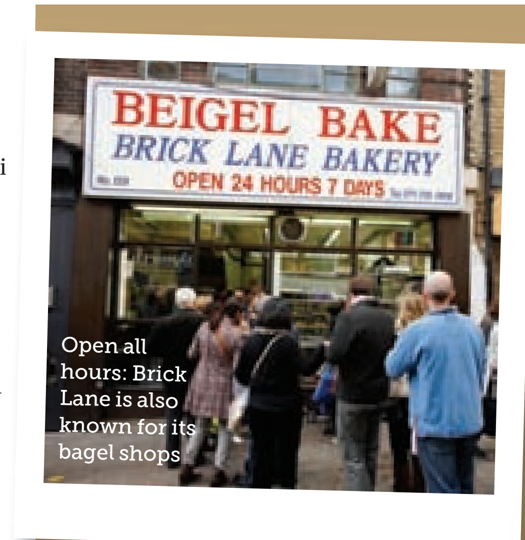
The City

Snaffle a seat at the front of an eastbound DLR train to Bank and you won't be able to help pretend that you're the driver. The idea of hanging around the City might not seem too enticing, but step off the main thoroughfares and there are intriguing little streets with lively old pubs, as well as plaques and statues to the great and the good who made their fortunes here. Nearby are St Paul's Cathedral, Fleet Street and the Gherkin (officially 30 St Mary Axe), all of which are worth a quick visit. Ten minutes away by taxi is Brick Lane, London's famous curry district, where you'll also find 24-hour bagel shops. But don't miss out on a chilli-fired banquet.

Canary Wharf

As a temple to Mammon, it doesn't get much better than Canary Wharf. Its skyscrapers dominate the East London skyline, though they are neatly tucked away from the capital's historic centre. There are two impressive malls, full of designer shops and upmarket cafes. If the weather is sunny, West India Quay is always buzzing with a row of waterfront bars with outdoor seating. Visit the free Museum of London Docklands to find out about the area's rich history. Early birds might want to check out Billingsgate Market, which has the largest selection of fish in the UK and is open from 5-8.30am, Tuesday to Saturday.

>



Open all hours: Brick Lane is also known for its bagel shops

Three places to AVOID

Stratford

You might be tempted to venture to the heart of the 2012 Olympic Games. Don't. It's hoped the games will regenerate this down-at-heel area, but the impact won't be felt for a good year yet, when the massive Westfield shopping centre opens. Stand-offs are not uncommon when the pubs shut, while the existing shopping mall is one of the Big Smoke's great architectural disasters. If you are drawn to see the place before it is transformed, the King Edward VII – or King Eddie's to the locals – is a grade II-listed pub that defies the ugliness of this area of East London.

Lewisham

A bustling, predominantly fruit 'n' veg market along the high street and the hugely popular, incredibly good value food at the German sausage van ('The Sausage Man'), do not disguise the fact that Lewisham is rather rough around the edges. On a balmy day, this concrete monstrosity is a sweaty horror, with the guards at the desperately limp shopping centre always on the lookout for the latest gang to have nicked a pair of trainers.

If fast food outlets and grotesque flyovers are your thing, then Canning Town is your place

Canning Town

If fast food chicken outlets are your thing, then Canning Town is your place. If you want to experience a niggling worry that your wallet is going to be pinched, then Canning Town is your place. If you want a grotesque flyover, then, you've guessed it, Canning Town is your place. For anything even remotely attractive, entertaining or uplifting, Canning Town most definitely is not your place. Lewisham and Stratford have redeeming features; Canning Town does not.

Three great RESTAURANTS

El Faro, Crossharbour

Stepping off the DLR at Crossharbour station on the dull Isle of Dogs isn't to be recommended, unless you make the short walk to El Faro. This is one of London's best tapas restaurants and the food is truly delicious. If it's sunny, try to get a table on the deck out back overlooking Millwall Inner Dock and enjoy a Spanish dry sherry or a bottle from the restaurant's vast wine selection. El Faro tends to push its roasted suckling pig, but the stars of the show are the rich, crumbly black pudding and, if they have them on special, the huge, lobster-like king prawns.

Mogul, Greenwich

Mogul won't let you down if you're after a tasty curry. Grab a fresh fruit juice at the nearby market, then convince your waiter to get you a table downstairs for a moodier, less clinical dining experience than on the restaurant's ground floor. The service is quick and friendly, and the unusually dry, delicately spiced murgh jalfrezi is a delight. Elsewhere in Greenwich, the Kum Luang Thai Restaurant opposite Cutty Sark station is usually packed for good reason.

The Narrow's menu will leave you salivating. So it should ... it's the brainchild of Gordon Ramsay

The Narrow, Limehouse

The Narrow has stunning views across the Thames and a menu that will leave you salivating. And so it should, given that it's the brainchild of Gordon Ramsay. It also on Narrow Street, the London address of notaries such as the actor Sir Ian McKellen and the former foreign secretary Lord Owen. Further up the street is The Grapes, an 18th-century pub with a lovely little seafood restaurant upstairs.

St Paul's Church, Deptford

Three great PUBS

The Dog and Bell, Deptford

Deptford, the Wild West of south-east London, has become popular with Americans since *The New York Times* last year praised the area for its 'edge'. Travellers must be devastated when they reach this uninspiring, grimy corner, but this tremendous boozer is just the place to drown any sorrows. Looking every inch a fortress for locals, the Dog and Bell has one of the best beer menus in London, full of wonderful Belgian ales, while the staff and regulars are welcoming.

The Greenwich Union, Greenwich

The Meantime Brewery is now one of the UK's best known beer producers; its chocolate, coffee and raspberry bottles are now common in pubs and off-licences. The Greenwich Union on Royal Hill is the brewery's first tied pub. Always crammed, aim to get a seat in the beer garden when the sun is shining. But if Meantime isn't for you – and some people are sad that the beer has lost some of its appeal since becoming known beyond Greenwich – the bar stocks many other fabulous ales, including American favourites such as Anchor Steam. Just don't expect to get a Foster's.

It might take you a while to find The Gun, but once you get there you won't want to leave

The Gun, Blackwall

Part-pub, part-restaurant, The Gun is a Canary Wharf institution, even though it's a good 15-minute walk from the tall towers. The restaurant is quite expensive, so the bar food is a better option. The listed, riverside building provides a great view of the Lord Rogers-designed Millennium Dome (now O2 Arena). It might take you a while to find The Gun, but once you get there you won't want to leave. **IT**

Canning Town: So good, they named it once.

Outside edge: beside the Thames at Greenwich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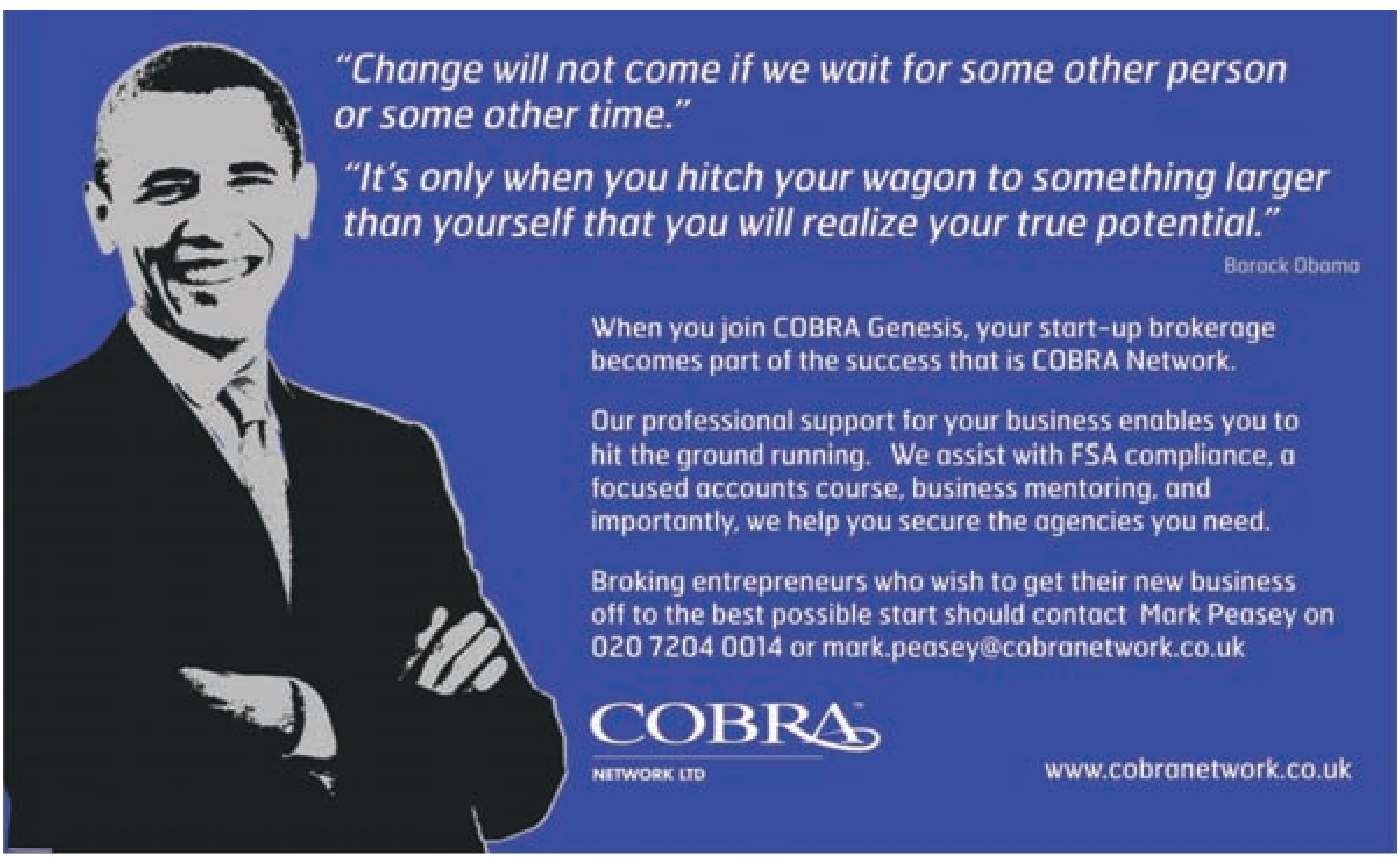
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What's happening?

140

Brokers can no longer afford to shun social media, says David Singleton; it's too effective at bringing in new business. But you must set a few rules first – and, most important, think about what you're going to say. You have been warned...

Tweet

IN THE BRAVE NEW WORLD OF INTERNET COMMUNICATIONS, the social media evangelists are easy to spot. Not only have they been blogging since wi-fi broadband became available in coffee shops, but their count of Facebook friends hit triple figures sometime in 2006 – not long before they signed up for a Twitter account.

These fully fledged evangelists tend to crop up most in the worlds of media and PR. Sensing the possible pitfalls, the insurance industry has tended to take a more cautious approach.

However, many brokers now believe that they cannot afford to shun blogs, Facebook, LinkedIn and the increasingly popular micro-blogging service, Twitter. In short, they can be one more way of bringing in new business.

Lockton's UK head of communications, Chris Don, says that colleagues have mixed views about how useful these tools are. "Some are enthusiastic early adopters and say it has helped them to bring in new business; others are completely sceptical – they don't see much up-side."

For Don, the biggest stumbling block is around security. "There are concerns – not just at Lockton I'd have thought, but presumably in other companies. Who should blog in the company? Everyone or just a few people? And what should they blog about?"

There are the horror stories too. Just a few months ago, Vodafone was forced to apologise to its thousands of followers on Twitter after one of its customer service staff broadcast an obscene message.

The message appeared on the company's official Twitter account, which it usually uses to deal with customer complaints, forcing

@chris_don Social media is a useful tool to complement existing marketing. It will never replace the telephone or after-work drink

about 1hr ago via web

@james_prebble Just one post in the right place at the right time could open up a broker's business to a huge new audience

about 2hrs ago via web

Vodafone to release a stream of apologies for "a severe breach of rules by staff in our building".

Don says he's been advised that 'you should never post a blog that you wouldn't want your mother and boss to read'. The Lockton PR chief fails to confirm whether he has always stuck to his own rules, but says that such quibbles have not prevented his firm from experimenting.

These days, Lockton uses social media websites and forums to communicate news and internal expertise to clients. "Social media has definitely helped us to put white papers out there that have been picked up by the press. It will play an increasingly important role alongside traditional PR, advertising and marketing techniques," he says.

The extra mile

So should brokers be going further to win new business?

Experts insist the industry could be missing a trick by failing to engage fully with new media channels. In particular, blogs and social media sites allow for high levels of engagement with potential customers. Getting involved with the online conversation could thus provide a valuable way in with a prospect.

Pancentric Digital's head of digital strategy, James Prebble, says that Twitter is an especially good platform for brokers to showcase their business's expertise.

"It allows them to share important information and expertise with individuals who perhaps have a less detailed understanding of particular types of insurance and its issues. Social media presents brokers with >

the opportunity to reach a far broader audience. They now have the ability to find individuals and businesses discussing insurance issues."

Diffusion's Ivan Ristic agrees that the interactive element of social media can help brokers to make useful new connections. "There is a huge opportunity – especially in the small business space – to provide advice and assistance between peers online," says the director at the digital PR agency.

But he sounds a note of caution for any broker planning to leap into an online conversation. "The social media community is very self-selecting and will soon root out anyone who is not engaged in the true spirit of their discussion. Brokers should heed the old adage that we have two ears and one mouth – that they should listen intently to the conversations they hope to get involved in, and understand them properly. Any engagement should be thought through carefully to add to the dialogue in a genuine way, and not simply focus on the hard sell."

Another option for brokers keen to harness the power of social media is LinkedFA, the first social networking site for finance professionals. The site, launched in March this year, aims to help them to connect and interact with their clients and peers.

It has similar social media tools to other popular sites while complying with financial regulatory supervision and record-keeping. The site also recently announced a new compliance feature, aimed at providing the opportunity for large financial organisations to get involved. This automatically delivers daily reports of financial advisers' activities to their compliance officer and fully supports company internal email capturing and monitoring software.

LinkedFA president and founder Jason Bishara says: "Social media is like email; it is not going to go away. Social media is the most efficient way for any business to communicate or stream data to an audience of their clients or prospective clients, all at the same time.

"Unfortunately, mainstream sites such as Twitter and Facebook don't comply with industry regulations on the use of electronic communications, and are therefore prohibited in many finance and insurance companies. LinkedFA has a unique compliance feature that stores all communication, including blogs, videos, emails, wall posts and documents, for six years.

"All communications are fully extractable and reportable at any time. This means insurance professionals can use social media in a safe and secure environment that is fully compliant."

@ivan_ristic The social media community will soon root out anyone who is not engaged in the true spirit of the discussion.

about 3hrs ago via web

@jason_bishara What if you were able to cultivate a thousand people at once without having to leave your office?

about 5hrs ago via web

For Bishara, the power of social media appears to be almost limitless. "Most insurance agents and financial professionals spend years cultivating relationships and referrals. What if you were able to communicate with all of your relationships and cultivate a thousand people at once without having to leave your office? Social media means that you can."

Multi-pronged approach

Whether Bishara's social media evangelism proves to be a step too far for most brokers remains to be seen. For most digital PR experts, a social networking offensive should be considered as part of a broader marketing mix. Social media alone is unlikely to win much new business, many experts insist.

Pancentric's Prebble says: "While social media may not be the gateway to a huge increase in potential customers, just one post in the right place at the right time could open up a broker's business to a huge new audience. And while it can be the first step to building a relationship with a prospect, that relationship will take more than just social media interaction to develop. Supporting content on a website or blog is a must for consistency of brand interaction. Especially if the insurance line is specialist. Customers need to know they are in the hands of an expert."

At Lockton International, Don is already pushing in this direction and is confident that other firms will follow suit – if they haven't done so already. "My personal view is that, in five or 10 years, nearly every FTSE-250 company will have a blogging page or social media area that either sits on its website or perhaps separately," he says. "Just like all companies today have their own website, which was not the case 10 to 15 years ago."

But Don also refuses to get too carried away and echoes Prebble's insistence that blogs, Facebook, LinkedIn and Twitter are only really useful for winning new business when part of a bigger strategic picture. "Social media is just a useful tool to be used to complement the existing marketing mix, and will never replace the telephone or an after-work drink with a client or prospect as the networking method of choice."

And then there are those dreaded pitfalls to watch out for. Conservative Party leader David Cameron recently said on a radio show that "too many tweets make a twat". Or as Don puts it: "No one wants to hear that an insurance broker has just washed his hair!" **IT**

GRAND DESIGNS

Europe's Insurance Mediation Directive is about to be updated. How will the changes affect brokers in the UK? And who gains from mandatory disclosure? Mark Leftly investigates

THIS SUMMER, AN UPDATE OF AN OBSCURE piece of EU regulation, the Insurance Mediation Directive (IMD), could transform the UK broking industry. It also could pass on new costs to the consumer at a time when many barely have survived the recession.

The significance of the review defies the dull name of its judge, the Committee of European Insurance and Occupational Pensions Supervisors (Ceiops), which advises the European Commission on key regulations in the sector.

The IMD was implemented in January 2005 to ensure that intermediaries – agents and brokers – operating across the EU met certain minimum standards, such as confirming that they were regulated in their member state. This would give customers a basic level of protection against poor advice.

But the legislation is weak. In the wake of a financial crisis that has seen individual shareholders lose their savings and customers check the small print of their contracts ever more closely, the EU – whose imposing Brussels parliament building is pictured left – is determined to create a far tougher regime for agents and brokers in the name of consumer protection.

Under the UK's 'law of agency', customers have the right to ask brokers how they are remunerated. Typically, this is through commission that the insurance companies pay directly to them. Customers also have the right to know exactly how much the broker or agent receives.

'Gold-plated' by the FSA

As a result, the UK has a much stronger interpretation than many other member states of the IMD, with intermediaries in other EU countries forced to disclose only rudimentary information. It is often said that the FSA has effectively 'gold-plated' the IMD by enforcing these tougher rules.

The European Commission wants all countries to provide greater detail to customers after the IMD is updated. However, it appears that Commission director-general for the internal market and services Jorgen Hölmquist wants to go further, potentially demanding that brokers provide all such information to the customer upfront, whether or not he or she wants to know.

In his January letter to Ceiops, Hölmquist said: "The revision of the IMD will take into account the interests of policyholders and also seek to improve legal clarity and certainty. The Commission considers that the current level of consumer protection enshrined in the IMD might not be sufficiently transparent."

This has significant cost implications. Given that the recommendations are scheduled to be debated in the European parliament in the first quarter of next year, it is also a burden that brokers could face as early as 2014.

Broker Network chairman Grant Ellis huffs when the review is mentioned, arguing that the production of such material on an inevitably grand scale will hurt the customer.

"If mandatory disclosure is applied, it will add a couple of percentage points [to brokers' overheads]," he says. "Ultimately the cost will have to be borne by the consumer, so it's complete nonsense." >

'The customer wants to know how much the policy costs and what it covers'

Grant Ellis, Broker Network

For Ellis this is deja vu. In 2007, then FSA chief executive John Tiner damned the IMD as "one of the worst pieces of European legislation". He also wanted mandatory disclosure, but was shocked to find that there was, in Ellis's words, "complete ambivalence" to the issue following a review. A cost-benefit analysis could not prove that the move would provide any material gain to the consumer.

"Joe Public was not interested, but Tiner interpreted that as them not being aware of their right to ask," Ellis argues. "Ninety-eight per cent of transactions are relatively small and what the customer wants to know is how much the policy costs and what it covers."

However, the FSA has generally maintained its stance. KPMG's head of general insurance Mark Winlow says: "I can see the UK moving towards a more disclosure-based model. The FSA's attitude has hardened around consumer protection, particularly in general insurance."

Biba produced industry guidance in April last year, which suggested a compromise. It said that brokers must ensure that consumers knew they could ask about how the company was paid by displaying that right prominently. In the annex to the guidance, it produced a one-page fact sheet indicating how brokers could achieve this.

Winning the argument

The FSA decided to keep the system under watch during 2010-11, to ensure that customers were receiving suitable service. However, if the FSA wants to feed into the Ceiops review, which is expected to be published in early July, it will have to speed up its assessment. Already, officials have grilled major brokers and are currently doing the rounds with a few smaller organisations.

Biba is hopeful that the FSA will conclude that full disclosure on request is effective, and that making such information mandatory will only mean customers facing yet more paperwork.

"The system is as transparent as people want, it doesn't burden them with information that they don't want," regulation and compliance manager Steve White says.

If the FSA shakes off its doubts and backs the UK system, it will have a useful ally. In the USA, the laws of individual states govern regulations on intermediaries. New York state, the most important for international finance, is pushing through legislation remarkably similar to the UK's right to disclosure. It is thought that the EU is keen to introduce a system that is synchronised with its major international partner.

White is keen for the EU to crackdown on price comparison sites. Unregulated, they aggregate information, such as insurance policies, and do not have to reveal their financial motivations – if they exist at all. This is particularly important for the UK as, bar a few sites that are geared to the French and Spanish, the aggregator model is almost exclusive to this country.

> 'We're trying to make sure that aggregation activity doesn't get taken out'
> *Steve White, Biba*

"We're trying to make sure that aggregation activity doesn't get taken out [of the directive]; the sites must be within Ceiops' scope," says White, who wants to ensure that they do not have an advantage over brokers.

However, brokers themselves could be a major target. The EU is suspicious of the broking model, believing that there is an inherent anti-consumer bias in getting commission on the product it sells, rather than a flat fee for finding the right policy. Brokers could be accused of selling products that generate big commissions or recommending their preferred suppliers, despite being legally obliged to give the best possible advice and having malpractice insurance as a result.

Although considered unlikely, Ceiops might even go so far as to ban commission, meaning the entire UK industry would face a shake-up.

The plus side

If the EU does follow the right to disclosure model, the UK would benefit. Europe is "a year behind" the UK as a result of the Biba guidance last April, Airmic chief executive John Hurrell argues.

Hurrell praises the review, believing that a stronger, more detailed directive will create harmonised insurance broker regulation throughout Europe. "We want a common denominator," he says.

Insurance lawyer Michael Frisby agrees, arguing that intermediaries currently working under a weak disclosure regime will no longer have the advantage of hiding the sort of information that UK brokers readily hand out. "With the FSA there has been a higher burden. The directive is potentially good news, as it will make intermediaries uniform across the board," says the Stevens & Bolton partner.

However, the UK has only a few months to make the case that the country's system is the most effective. The industry will first have to prove to the FSA that consumers understand that they have the right to ask for information, and that they are comfortable demanding it. Only when the UK regulator is convinced will it be possible to take the argument to Brussels. **IT**

FIND OUT MORE ONLINE
Go to **insurancetimes.co.uk** and search for: *Euro threat to revive forced commission disclosure* [04/03/2010]

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FLOOD WARNING

Last year it was Cumbria; three years ago Yorkshire, the Midlands and Oxfordshire. With repair bills at more than £3bn, Michael Glackin asks what is being done to make properties more resilient to future disasters

PROTECTION
Sandbags stacked in front of a doorway, acting as a makeshift flood barrier. York, North Yorkshire, 2007

IF WE ARE TO BELIEVE THE DOOMSAYERS on climate change, floods of Biblical proportions will become much more common. You don't have to agree with them, but the evidence that action is needed to better protect our homes from flooding is becoming pretty compelling.

Last November, large tracts of Cumbria were devastated after what the Environment Agency described as "a one-in-a-thousand year" flood wrecked havoc in a calamitous 24 hours. The insured losses are set to come to more than £200m. Yet this flood occurred just 18 months after most of Britain – particularly Yorkshire, the Midlands and Oxfordshire – was hit by destructive floods during one of the wettest summers since records began in the mid-18th century. According to figures from the ABI, the 2007 monsoon-like deluge cost an estimated £3bn.

The ABI says a minimum of 2.5 million properties in England and Wales are at risk from flooding from rivers or the sea, with 1.1 million of these also at risk of surface water flooding. A further 2.9 million properties are themselves also susceptible to surface water flooding. The ABI adds that even if the government doubled its investment in flood defences over the next 25 years, the number of properties at risk is unlikely to fall significantly, meaning the risk of being flooded will be a fact of life for many years.

So as we approach the third anniversary of the 2007 floods, what is being done to make properties more resilient to similar events in the future? The short answer appears to be very little.

Insurers are keen to promote and help educate customers about the benefits of resilient repair – restoring flooded homes in a way that makes them more able to stand up to future floods – but insist that this is as much as the industry can realistically do.

"We've tried to take a lead on this issue but it's a difficult area," AXA claims managing director David Williams says. "It's complicated because most losses from floods are relatively small and people want replacement fittings and materials that match their old ones. No one wants one quarter of their home to have been rebuilt in a different manner to the rest of their house. You may be able to consider different types of materials on a new-build, but it doesn't work like that on repairs – and most flood damage is about repairs."

Sticking to the standards

Williams points out that, in cases where a property has to be demolished and entirely rebuilt, AXA can work with customers to construct a home that complies with level four of the Code for Sustainable Homes (CSH), the new national set of standards for building more environmentally friendly housing. "But even then customers have fixed ideas about what they want for their home, so it's not straightforward."

Cost is a major consideration in flood-resilient repair. "If you go beyond standard repairs, the cost increases," ABI policy adviser Tim Humphries says.

Research by the ABI reveals resilient reinstatement generally costs 40% more, although it can range between 15 and 70%. Insurers are reluctant to take the additional cost on board because a customer may change

CLEAN-UP
Girl tries cleaning up her grandfather's shop, Main St, Cockermouth, 20 November 2009

'Legislation isn't the answer; it's a question of education. We all need to start educating policyholders about how to minimise damage'
Steve Foulsham, Biba

RIVER RUNS THROUGH IT
Cockermouth Main Street early in the morning, 20 November 2009

companies, leaving the original insurer with little to show for its investment.

"Understandably insurers may be reluctant to pick up an additional cost as this will be more than an indemnity," Chartered Institute of Loss Adjusters executive director (technical) Malcolm Hyde says. "Improvements that increase the cost of repairs are not generally recoverable under the terms of the policy. However, some flood-resilient repairs may not increase the cost or may only marginally increase the cost, and grants may also be available."

Earlier this year the government announced £2.6m in grants to help more than 500 households in high-risk areas to pay for anti-flood measures such as air brick covers and waterproof doorways. But based on the insured losses, the grant funding is a drop in the ocean.

In March, parliament's Environmental Audit Committee called for the government to increase funding for flood defences and pay for a national programme to help with resilient repair. The committee said that, over the next 25 years, spending on flood defences to protect homes should rise from its current annual £600m to somewhere near £1bn.

The committee's chairman, Tory MP Tim Yeo, added, rather vaguely, that the government needed to be "imaginative and establish new and sustainable sources of funding and support" to help homes in need of flood protection. In these straitened times, "new and imaginative" sources of funding may well put the emphasis for implementing and paying for resilient repair back onto the insurance industry.

Clauses on resilient repair

Biba wants insurers to include clauses promising resilient repair in the event of flood damage. "We're saying properties should be revalued on a resilient-repair basis, one where the policyholder can be offered a premium based on it," Biba technical services manager Steve Foulsham says. "Effectively, customers would then have a choice of resilient repair or a normal repair."

In a bid to offer a choice, AXA has introduced two distinct policies: the Marks & Spencer Green policy, which will rebuild severely damaged property in line with level four of the CSH, and a normal replacement policy. "But sustainability costs more than replacing as is, and that has to be paid for," Williams says.

But if the expense means that most insurers are reluctant to commit fully to resilient repairs, and customers baulk at taking on the cost and living with flood-resistant materials or solutions, such as ceramic tiles on concrete floors instead of carpets on wooden floors, or installing electrical sockets a metre off the floor instead of by the skirting board, the industry is left with the question: what should insurers do to effect change?

"It comes down to perhaps explaining to people who are in areas of increased risk, 'Okay, you don't want your sockets half way up the wall but do you want insurance or not?'," Foulsham says. "We want flood cover to continue to be available. The best way to do that is to look at risk management of properties and educate policyholders to look at resilient repair to mitigate future claims."

FLOODED On 20 July 2007, up to five inches of rain fell across central and southern England on already saturated ground, causing major flooding

Williams echoes that view. "The biggest successes we've had [in recommending resilient repair] are when a customer realises he or she will have a higher excess or no cover at all," he says.

"But even in high risk areas, where a customer has already suffered a flood loss, a lot of people think it's a once-in-25 year happening that won't happen to them again."

In practical terms, higher excesses are, of course, effectively no insurance at all and insurers have faced mounting criticism that they are leaving customers without cover. In some cases, customers have reported excesses upwards of between £20,000 and £50,000.

Increased excesses highlight the limitations of how far insurers can drive a change in homeowners' attitudes.

In turn that raises the question of whether the government should introduce legislation to compel either insurers or homeowners to ensure properties are better protected in flood risk areas, either through building regulations or some other mechanism. The industry is sceptical about the merits of legislation, however.

"It would be difficult to accomplish change through the building regulations," Humphries says. "For a start you would have to define precisely what is meant by resilient repair. And if you legislate for resilient repair it still has to be paid for, either through the insurance mechanism or by the customer."

Humphries believes that insurers cannot and should not dictate to customers about resilient repairs. "Insurers can offer green replacement products, but you cannot drive a product without product demand, and while the industry needs to make more information available to customers about the merits of resilient repair, it is up to customers to decide what they want," he says.

Biba's Foulsham is equally wary of the merits of imposing change through legislation.

"Yes, you can make changes to the design and build of new-build properties, but building regulations don't cover fixtures and fittings. About 70% of the cost of reinstating on flood damaged properties is fixtures and fitting; things such as skirting, kitchens and floor coverings."

DRYING OUT Six months after the devastating floods in Cockermouth last November, the flood level mark shows how high the water reached in this shop

"Ultimately, legislation isn't the answer; it's a question of education," Foulsham adds. "If we're going to suffer more floods, and that is certainly what environmentalists predict, then all of us – that's Biba, the ABI and the Environment Agency – need to start educating policyholders about how to minimise damage." IT

FIND OUT MORE ONLINE
Go to **insurancetimes.co.uk** and search for: *Claims Clinic: Flood barriers* [29/04/2010]

Q&A

ERIC GALBRAITH

What has pleased you most, from Biba's perspective, in the past year?

This has been an exceptionally busy and challenging 12 months for the association. The successful formation of a new London Market Region Committee and a move to new offices have both gone well.

What pleases me most is the team spirit and energy that helps to make Biba a continuing success. Last year, we were named Trade Association of the Year, successfully campaigned for electronic motor certificates and worked closely with HMRC to reduce changes to the insurance premium tax.

It is also pleasing to see key parliamentary bills receive Royal Assent, such as the Equality Bill, and the Flood and Water Management Bill.

What has been the biggest disappointment?

Scotland not qualifying for the World Cup and our rugby team only managing a draw with the English at Murrayfield!

What are you most hoping the new government will deliver?

That we'll be able to get the right regulation in place. The current regulation and style is extremely expensive and completely out of proportion with the risks involved in our sector.

How can the sector persuade the government that insurance in general, and broking in particular, does not get lumped in with the other financial services for regulation?

While the government can and should help by taking a fresh look at how it might support and promote the industry, I believe that we must play a role in demonstrating and explaining the differences between our sector and the banking sector.

We have many strengths that we need to demonstrate to the government – and we must be prepared to invest time, effort and resources in this. The regulator and the government, however, must reciprocate, and our sector must see the regulatory benefits as a result of that investment.

The association does a lot of work behind the scenes that members never directly hear about, but we are working hard to achieve the best possible results for our members.

What's the future of broker lobbying? Will there be just a single association to represent the sector?

It has a strong and busy future. We shall continue our lobbying with the government and other stakeholders, with Europe and, where necessary, ensure that we have one voice. >

How does Biba ensure that the voice of the small broker gets heard?

We go out of our way to ensure that all members' interests are represented, and we are particularly conscious of the issues surrounding small brokers. The Biba regions are supported by seven regional executives, which means that we get as much small member feedback as we can. This is fed into all of our committees, which include many small members, so their voice is valuable and is heard by the board.

What will Biba do over the next year to develop a broader understanding among the general public of the value of advice?

This is a core element of what we do. An example is our work on the Equality Act, where we are helping members of the public who have been turned down for insurance to find a broker who can help them to find cover. Promoting broker services and their value to the government and the media is key to what we do and will continue to do.

Is new technology in general, and aggregator websites in particular, a threat or an opportunity?

It is the natural process of evolution, both an opportunity and threat to our sector. Handled properly, it will create a fantastically useful tool for many in the sector to develop the business, but it must be done without consumer detriment. Brokers with a specialism or a niche are seeing particular benefits.

'Current regulation is extremely expensive and out of proportion to the risks involved in our sector'

What progress is being made on steps to review the selling practices of price comparison websites?

We continue to talk with the FSA and with the main players in the market. The industry guidelines to good practice were launched at the start of the year and we have seen some improvements from sites, but we need to ensure clients are treated fairly and will continue to push on their behalf.

Who will you be supporting in the World Cup?

As Scotland didn't qualify, I shall be cheering on England. As my wife is Dutch, Holland will be next, followed by Australia – my son is married to an Australian! **IT**

Eric Galbraith is Biba's chief executive

Eric says ...

A selection of Galbraith nuggets of wisdom from his Biba blogs on insurancetimes.co.uk

'Every time I see reference to, or get involved in contributing to an article or discussion called, "a view from the top", it reminds me of the old adage that a company is like a tree full of monkeys – with those at the top looking down on smiling faces and those at the bottom looking up and seeing mostly a***holes'

'Olympic oarsman Sir Matthew Pinsent and his crew used the mantra "Does it make the boat go faster?" to focus on the things that improved their performance and discard those that did not. For me, out of the boat would go all television advertising campaigns (even those featuring cute, furry mammals) that ignore the importance of getting the right insurance protection with their continual focus on bargain basement prices'

'Biba's major criticism of the current regulatory regime is that the low-risk insurance intermediary sector was shoe-horned into a regulatory framework designed for the higher-risk parts of the financial services sector. We cannot have this happen again'

'The recent failures in the banking sector highlight the need for the current structure to be changed. It may seem like "mission impossible" to influence change but the challenge, if you choose to accept it, is to raise this issue at every opportunity with MPs, government departments and the relevant authorities'