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AN **INSURANCE TIMES** PUBLICATION | APRIL 2008

30 YEARS OF BIBA

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INSURANCE DEVOLUTION:

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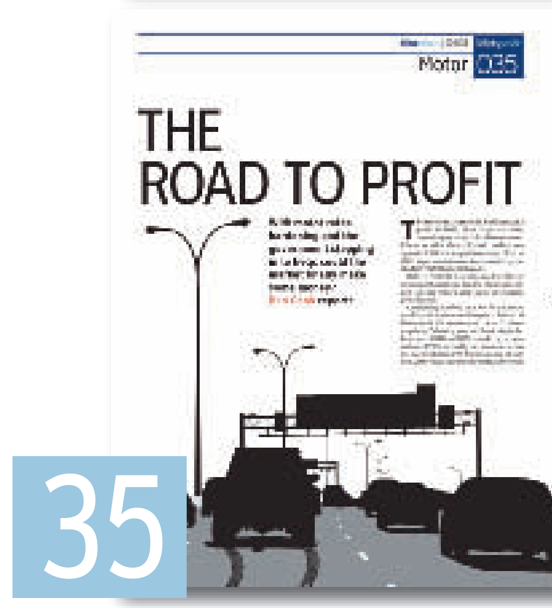

Welcome

DerekThornton

I am delighted to be heading to Glasgow shortly for our 30th conference, Influencing Tomorrow. I have attended many Biba conferences, but this will be my first as chairman and I am particularly looking forward to it.

The conference will highlight a broking sector that is confident, dynamic and ready to shape the industry of tomorrow. Our industry needs one strong voice and brokers of all sizes have a role to play in contributing to its success. This role has been demonstrated by Biba priorities which have directly impacted brokers' futures, including:

- Campaigning vigorously to remind everyone about the brokers' role in the provision of advice.
- Constantly broadcasting brokers' ability to design and tailor insurance products to meet clients' needs.
- Reminding the government of the importance of the brokers' role in the provision of risk management advice.
- Campaigning vigorously against any more FSA regulation of commission disclosure – conflict management and industry guidance will suffice in a principles-based regime.

Biba is achieving notable success on behalf of its members and we intend to keep the pressure up during 2008, particularly through the launch of a manifesto setting out our political agenda for this year. I would urge members to get involved wherever possible and to take the opportunity to show the government, our industry and most importantly, our clients, that we are in good shape to influence and face the challenges and opportunities that lie ahead.

The conference has received great support from the industry including sponsors and exhibitiors, with many insurers taking more space in the exhibition hall than ever before and over 30 exhibitors completely new to a Biba conference. Along with the additional exhibition time added to the programme, this will result in excellent networking opportunites for all delegates and visitors.

I am delighted that this year will be the first that all staff of Biba member firms can attend free – whether you come for three days, one day or just one session.

I look forward to seeing you at the conference and please make sure you meet the whole Biba team – you'll find us on stand D23.

➔ Derek Thornton is chairman of Biba

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Biba by night

Who Biba
Where Kelvingrove Art Gallery and Museum
When Friday, 7.30pm-1am
The Gala banquet at the Kelvingrove, which reopened recently after a £27m refurbishment. After a champagne reception in the galleries, guests will enjoy a four-course banquet in the museum's main hall. After-dinner entertainment includes Heather Small, lead singer of M People, and comedians Michael McIntyre and Tim Minchin.

Who Groupama
Where Stirling Castle
When Thursday
By invitation only, Groupama will entertain 100 key business partners and journalists with exclusive use of the historic castle. The evening will include a tour, dinner and then a traditional Scottish ceilidh to round out the proceedings.

Who Groupama
Where Groupama Business centre, Scottish Exhibition and Conference Centre
When Wednesday, 6.30 p.m.
Repeating its 'Champagne and Chocolate Experience' from last year's exhibition, there will be two large molten chocolate fountains, coupled with a glass or two of Groupama's very own champagne. This is back, the insurer claims, by popular demand following feedback from brokers and delegates.

Who Biba
Where Hall 4, Scottish Exhibition and Conference Centre
When Wednesday, 6-8.30pm
The opening reception, sponsored by AIG. With drinks, canapés and entertainment, all delegates and their partners are invited to attend the reception, which offers the chance to tour the conference's many stands.

Who RSA
Where Glasgow Science Centre
When Thursday, 7:30 pm
RSA is holding a surprise party for a select band of its brokers

Who Biba
Where The Scottish Exhibition and Conference Centre
When Thursday, 7.30-11.30pm
The Biba fun fair for delegates and exhibitors, where activities will include dodgems, a surf simulator, rodeo bull, or even kangaroo boxing. There will also be a coconut shy and a fortune teller.

Where The Buttery, 652 Argyle Street –
This exclusive restaurant serves up the best in local produce, from lowland beef to west coast seafood.

Biba by night

After a busy day of networking, negotiation and education, what better way to unwind in the evening than among the company of industry friends and partners?
In this section, we take a look at the range of entertainment being laid on by Biba and insurers, eager to woo their thirsty broker clients, as well as some local haunts.
And if you're not lucky enough to attend the events, then fear not: Insurancetimes.co.uk will be on hand to capture all the action.

Biba by night

Who Norwich Union
Where The Wee Curry Shop, 7 Buccleuch Street – The affordable (and filling) option

Where The Pot Still, 154 Hope Street – This Edwardian establishment's has a selection of over 500 single malt whiskys

Where Gamba, 225a West George Street – A seafood restaurant, regarded by many as the best in the city

Who Fortis
Where 78 Vincent St.
When Wednesday
Fortis is hosting an invite-only dinner at this exclusive restaurant, designed in 1914 to house life insurer Phoenix. The menu promises French cuisine with a Scottish flavour.

Who Allianz
Where Bar Budda, 142 St Vincent Street
When Thursday, from 7pm
Allianz holds its annual bash for the press.

Where Horseshoe Bar, 17 Drury St
Reputedly Glasgow's busiest drinking hole it features the longest continuous bar in the UK

Who Norwich Union
Where Arta, 13-19 Walls St, The Old Cheesemarket, G1 1PA
When Thursday
Norwich Union has hand-picked 60 brokers and directors to dine in this venue that serves as a club, bar, restaurant and VIP lounge rolled into one.

Who QBE celebrates the opening of this year's Biba Conference at the exclusive private members club, 29
Where 29 Royal Exchange Square, G13AJ
When Wednesday, 6:30 pm onwards
A reception with drinks, canapés, and not one, but two large molten chocolate fountains – coupled with a glass or two of champagne.

Where Corinthian, 191 Ingram Street – This former 19th century banking hall features a cocktail lounge and piano bar

Who Blackfriars, 36 Bell Street – A pub-lovers pub, this boasts five cask ales among 20 beers on tap, plus more than 40 international brews in bottles.

Biba 2008 – who's where

F12 Aascent Finance
E20 Abbey Legal Protection
D26 Ace European Group
B14 Acturis
K20 Adding1
H12 Affiliated FM
A18 Ai Claims Solutions
C2 AIG Europe (UK)
M15 Airmic
G12 Allianz
A22 Alternative Risk Management
K27 AM Best
C5 Angel Underwriting
A20 APC Underwriting
E8 Arag Legal Services
F21 Arista Insurance
E22 AUM Group
D2 AXA Insurance
E6 Balcombe Group
G4 Beazley Group
F17 Bennett Underwriting Agencies
F18 Bexhill UK
D23 Biba
K16 BibaLet
L16 BRC Consulting Services
H8 Broker Network
L12 Broker2Broker
L27 Bureau Insurance Services
B6 Bureau van Dijk Electronic Publishing
F6 Carraig Insurance Company/Direct Commercial
D15 Carroll London Markets
D10 Catlin UK
C15 CFC Underwriting
H15 CGI
F16 CGice.com
F8 Chartered Insurance Institute
H20 Chaucer Insurance
F2 Chubb Insurance Company of Europe
EB10 CLB Littlejohn Frazer
M21 Clear Cargo
K24 Close Premium Finance
D7 CNA Insurance Company
G24 Cobra London Market
G23 Cobra Network
N21 Cobweb Information
L9 Collingwood Business Solutions
EB1 Composite Legal Expenses
EB5 Coverpoint Holdings
EB9 CPP Group
EB6 CSL DualCom
B20 Cunningham Lindsey
K7 DAS
L20 Davies Group
L17 Defaqto
M14 Direct Fleet Insurance Services
E9 Ecclesiastical Insurance
G13 Electrical Contractors' Insurance Co (ECIC)
M7 Equity Red Star
B19 Euler Hermes
E25 Event Insurance Services
C8 Evergreen
M19 Evolution Legal Service
E14 Evolution Underwriting
N17 Financial Ombudsman Service
M20 Financial Services Authority
D11 FirstCity Partnership
C13 Fitch Ratings
G20 Fortis Insurance
B22 FSJ
H3 Fusion Internet Solutions
H24 GAB Robins
Business Centre Groupama Insurances
B24 Guernsey
H7 Hamilton Deed
B16 Harris Claims Group
H23 Heritage Insurance Management
J23 Highway Insurance
J20 Hiscox Insurance
H14 Home & Legacy
E12 Howden Insurance Brokers
F26 HSB Engineering Insurance
N11 IGI Insurance Company
J8 ImageRight (UK)
D17 Ingham Underwriting
F5 Ink Underwriting Agencies
K12 Insurance Age
M17 Insurance Charities
G7 Insurance Times
B8 Insurecom Business Bar
F22 Insurecom Ideas Lounge
A6 Iprism Underwriting Agency
G17 ISS Damage Control
K28 K Drewe Insurance Brokers
D24 Kaupthing Singer & Friedlander Premium Finance
C18 Keelan Westall
L13 Kindertons Accident Management
N13 KL Underwriting Agency
EB4 Lawshield UK
G8 Legal & General
J25 Lexelle/Qdos
D12 Liberty International Underwriters
L8 Lindenhouse Software
F9 Lockton
F24 Lorega
K10 M Consulting
H18 Markerstudy Insurance Company
D19 Moore Stephens
F10 Motor Insurers' Bureau
J13 MSL Legal Expenses
M16 MYI UK
J17 National Britannia
E2 NIG
EB7 Noetica
A12 Norwich Union
M12 Novae Group
F14 Oak Underwriting
G2 Open GI
K14 Optilead
M18 Palladium Insurance
F7 Pancentric
H16 Peninsula Business Services
G16 Perceptive Software
G19 PJ Hayman & Co
E18 Plantec Holdings
C16 Polaris (UK)
K12 Post Magazine
E10 Premium Credit
E4 Premium First
D8 Primary General Insurance
F20 Prime Professions
K12 Professional Broking
L7 Provident Insurance
B21 Proximo
B2 QBE
F13 Quinn Insurance
F3 RBS Finsure
F19 Readsoft
G6 RL Davison & Co
D16 RSA
M13 RWA Compliance Services
B12 Software Solution Partners
K26 Standard & Poor's
EB2 Stephensons Solicitors
M22 Sterling Commerce (UK)
F11 Sterling Insurance Company
N15 Swinton Group
EB3 Tasker & Partners
C12 THB
J15 The MPLC
L14 The Prince's Trust
K8 Thomas Miller
C6 Tokio Marine Europe Insurance
M8 Total Flood Solutions
A2 Towergate Partnership
L18 Tradewise Insurance Services
L25 Transactor Global Solutions
E16 Travelers Insurance
K19 ULR/Boomerang Tag
H25 UniRisX/Quotes2Me
D3 Venture Preference
EB8 Verus Investigations
N19 VisitScotland
G15 World-Check
D14 WR Berkley Insurance (Europe)
G21 Zenith Insurance


Bob Geldof: Keynote speaker


Derek Thornton: Opening address


Declan Curry: Influencing Tomorrow

Biba 2008 – conference schedule

Wednesday 30 April

18.00 Exhibition opens

Thursday 1 May

● **09.30** Conference opens
Opening addresses
Derek Thornton, chairman, Biba
Eric Galbraith, chief executive, Biba
● **10.00-11.15**
Keynote Session: Influencing Tomorrow
The panel
James Rubin, assistant secretary of state to former President Clinton
Noreena Hertz, economist and fellow of Cambridge University
Stéphane Garelli, director, World Competitiveness Center and professor at the International Institute for Management Development, University of Lausanne
Chaired by **Declan Curry**, BBC
Breakfast
● **12.30** Lunch
● **14.10 Seminar session one**
Stream 1
Motor insurance issues facing us today
Barry Smith, chief executive, Fortis
Stream 2
The psychology of persuasion
Philip Hesketh, founder, Advertising Principles
Stream 3
Small broker session
Online threats and how to defend yourself in the 21st century
Harry Croydon, chief executive, Coverpoint
James Harrison, chief executive, Insurancewide
Chris Cotterel, partner, Safeonline
● **16.10 Seminar session two**
Stream 1
Managing tomorrow's risks – it's an Interdependent world out there
Alan Punter managing director Aon Global Risk Consulting
Alex Hindson, head of enterprise risk management, Aon Global Risk Consulting
Stream 2
Dealing with pressure
Lucy Beresford, psychotherapist, broadcaster, writer, [the Priory]
Stream 3
Small broker session
Listen to the voice of your customer
Tony Tarquini, head of financial services, Celerant Consulting
● **17.30** Close

Friday 2 May

● **09.30** Conference opens
● **09.35-10.25**
Keynote session:
The continuing threat from al-Qaeda
Frank Gardner OBE
● **10.30 Seminar session three**
Stream 1
Insurance contract law reform – the story so far
David Hertzell, Law Commissioner
Stream 2
Flooding – the aftermath
Phil McNeilage, chief executive, Cunningham Lindsey UK
Stream 3
Small broker session
Mission excellence
Justin Hughes, ex Red Arrows
● **12.10-13.00**
Keynote session: Is that it?
Bob Geldof KBE
● **13.00** Conference closes
● **13.00-14.30** Lunch

Make a date with Broker Network

BIBA 2008, SECC Glasgow
30 April - 1 May*

The first Network WLTM outgoing broker with dynamic business acumen. Must be forward-thinking, hard working and committed to the market. Independence guaranteed for fulfilling relationship!

Chief Executive, GSOH, outgoing and outspoken, WLTM brokers who are serious about their future and the insurance industry's future. Come find me at stand H8 at BIBA on the 30th April or 1st May, I'll be wearing a pink carnation.

Calling all independent brokers! Are you looking for a network with business and insurer services in all the right places? Then we're the network for you! The first network is looking for like-minded brokers for an initial chat possibly leading to more...

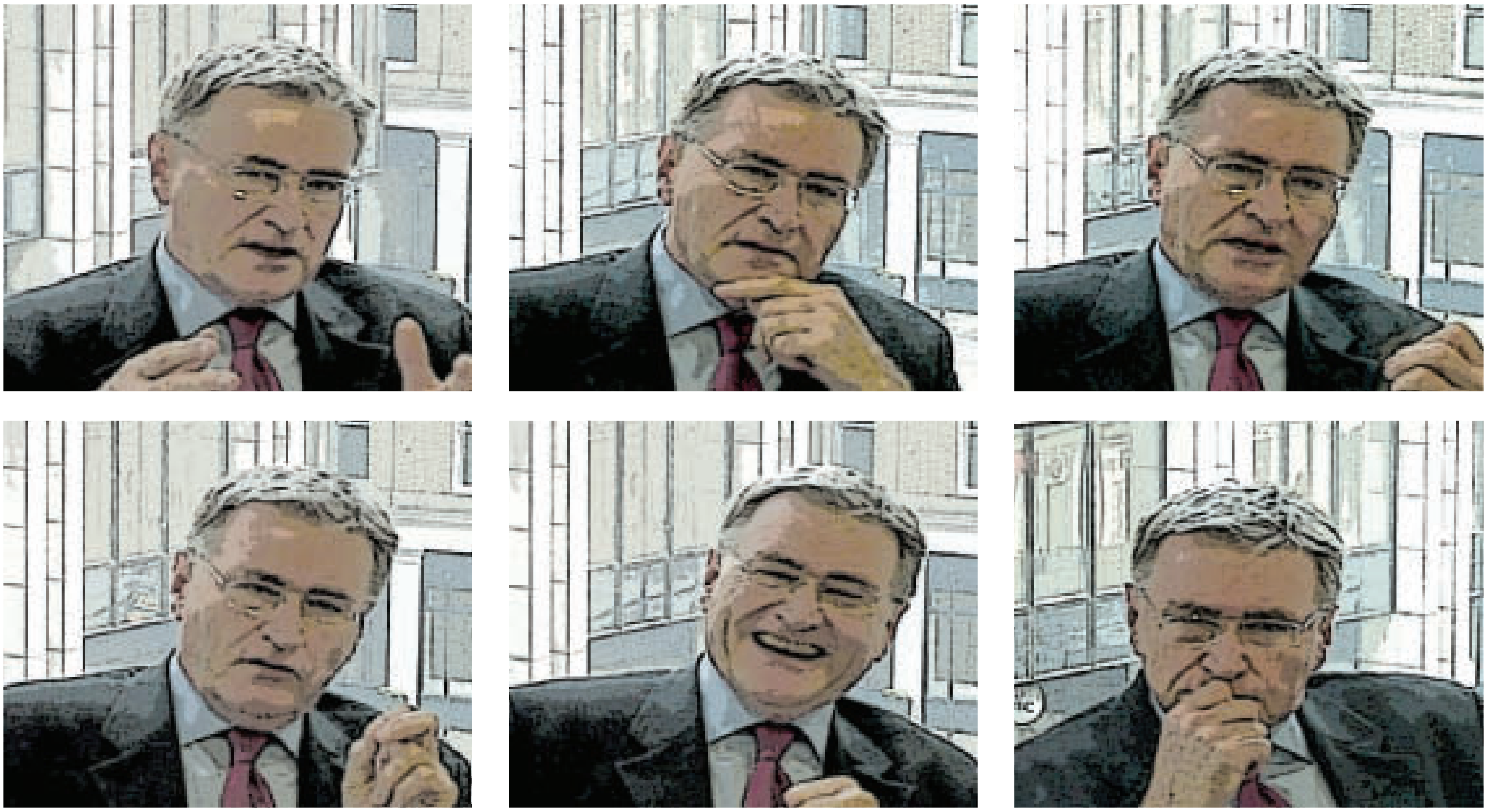
Market leader WLTM dynamic people looking to break into the broker marketplace. You supply the hard work ethic; we'll supply the support you'll need to make a go of your business. Must be driven and ready for a challenge. Time wasters need not apply!!

Managing Director, N/S, cyclist, looking for brokers who would like a bit extra from their network. Come see me on our stand H8 at BIBA on 30th April or 1st May.

Vivacious Sales Director looking for go-getters who aren't afraid to get stuck in. Must be passionate, enthusiastic and ready to get started from Day 1! Let's catch-up at stand H8 at BIBA in order to see where we could take this...

Broker Network

*For your opportunity to speed date with Grant Ellis or Mark Wood visit stand H8 on Thursday 1st May between 11.30am - 12.30pm or 3.30pm - 4.00pm



Galbraith in focus

Biba chief executive Eric Galbraith spoke to Tom Flack in a televised interview on insurancetimes.co.uk.

How much has the market changed in the past year?
I've been with Biba for four years, and I believe the industry has changed immensely in that time. We've had regulation from the FSA, we've had a huge amount of consolidation and we've had a major focus on distribution. That is what we're in – a distribution war – that's come about in our sector. There's a huge challenge about what we do, and how we do it. One of the areas we need to focus on, and represent for our members, is ensuring that the profession of the broker is promoted correctly and obtains a level playing field in the sector.

What would you say is the key issue on the regulatory agenda at the moment?
If I was to identify one issue, it is the ongoing challenge we have with regard to the FSA's forthcoming discussion document [on commission disclosure and conflicts of interest]. One message I would have for the members is now is the time to engage with it. We've been talking about this for two years, around conflict management and disclosure. I want everyone to write to the FSA.






The problem of insurers poaching brokers' clients has been in the spotlight recently. Do you think it will persist?
This is part of the distribution challenge we face. Some of the issues we have seen are an utter disgrace. I just don't understand. [It is] dealing with what is fair and what is right – whether it's legal or not is another issue. We, the professional broking sector, have to be very aware of how we engage with insurers with our terms of business, and our terms of engagement with our customers. Unfortunately, in many ways, it's not down to good faith any more – it's down to what's in the contract.

Is this a concern for some of Biba's smaller members in particular?
I think you're right. We have definitely got to be in there helping those members and actually taking up the issues on their behalf with underwriters, insurers and other participants [in their business]. I think it's difficult sometimes for them to do that because they might feel they will be more adversely affected by those suppliers if they speak out, so it's much better for the trade body to do so.

Biba seems to have a lot on its plate. Do you sometimes feel it is an insurmountable amount of work?
I don't think it's an insurmountable amount of work. There are some areas that definitely frustrate me, for example, regulation. The debate around disclosure has been going on for two years. We put we what we believe is a market solution to the FSA. It carried out a cost-benefit analysis, that's failed, and yet we're still talking about it.

"Some of the issues we have seen are an utter disgrace. I just don't understand. [It is] dealing with what is fair and what is right – whether it's legal or not is another issue.

Do you feel that we're no further down the line in terms of resolving the issue?
I believe we are. I think we've got a market solution, if our members do the three things we've been talking about – around conflict management, about their terms of business arrangements, and being able to answer the question about disclosure – that will resolve the issue, and we don't need further regulatory intervention or changes to the rules.

Do you envisage aggregators being among the most touchy subjects for your members this year?
I wouldn't say it will be one of the most touchy subjects; it's one of a variety of issues that Biba is engaged with. Aggregator sites are marketing companies, and we believe that the technology is here to stay, and I believe that our sector can take advantage of it. But at the moment there are things that are happening in that sector that create an imbalance with regulation and are detrimental to the consumer as well, and we have to take action on that.

Do you think there will be a hiatus in consolidation as a result of recent changes to capital gains tax?
My understanding is that it has not created a hiatus. We are seeing, and probably will see, more deals coming through with regard to the tax position. As to whether that will continue, we'll just have to wait and see.

Are you concerned, therefore, that your membership will get smaller as a result?
There are quite a lot of people in our sector that are not a member of any trade body. We've already added nearly 70 members this year, and we added 214 last year. So we've got the opportunity to grow our membership. It is affected by consolidation when companies come together, but I'm not concerned. It is a dynamic enough market to take care of itself. I would be concerned if we see a period where we don't get any new firms setting up.

Moving on to the conference itself, what would you say is the purpose of the event, and how has it changed in the past 30 years?
The Biba conference is recognised as the networking event of the general insurance sector. If you look back, the conference has changed from a conference to a conference and an exhibition. That formula has changed over the years and, this being the 30th year, we have the opportunity to look back as well as forward. Perhaps it could take in more of a European or global flavour. We have huge influences from China, India and Europe as well as the existing American market that affects our Lloyd's members in particular.

Does this mean you could look to hold the conference abroad?
My understanding is [in the past] there was a conference held in Paris. After each conference there is always a debate around whether or not we should take it overseas. I think that would be interesting. I'm not sure whether you would take the whole conference as it stands across, but there's no reason why we shouldn't consider doing something in another area.

The influence that's coming out of Europe, and the potential for the wrong issue to move in the wrong direction, is considerable. We need to be right in there at the coal face influencing what is going on. That is really important, and is highlighted by going to these areas and participating in these events.

"We need to be right in there at the coal face influencing what is going on. That is really important.

Is it not difficult to take your agenda global when many of your members are local?
A lot of our members have a huge range of skills. Many are operating in the international and global arena; I would like to see more of them do that. I definitely want to see our skill sets expand around the world. I have invited a number of members of BIPAR coming to along the conference this year. They want to see what we do, because in many cases we are a few stages ahead of them in terms of developments in regulation happening throughout Europe.

What does the conference offer other than networking? Can it help brokers make strategic decisions about the future of their businesses?
I would hope those who attend [Biba] would come away with a much clearer picture of what is happening in the industry, and [as a result] will engage with the industry. That is a huge advantage just to see. Running a brokerage, you are so focused on maintaining your position and servicing your clients, it is necessary to take time out to look at wider issues in the sector: about how to attract the right people, have the right reputation, to make sure people understand the benefits of having a broker, of having professional advice, and access to people who can help you. We touch every part of business and the individual.

Which one of the speakers at this year's conference excites you the most?
They are all fantastic. We have changed it this year, a high powered panel will speak as well. The plenary speakers are chosen to talk about world issues and events, and take a different view; that allows members to listen to other people in industry. Clearly, Bob Geldof on Friday will be a highlight, and I'm looking forward to that as well.

Are you concerned that [Geldof] will have an entirely unsympathetic view of the industry?
That's all part of the challenge we have. We're always going to see MPs and other stakeholders, and we always have to demonstrate the value of our sector, and the value of using a broker. I relish the challenge when someone gives a perceived view about what we do or don't do, and think it is really useful to have that opportunity. **IT**

Eric Galbraith's opening address, Thursday 9.30am

THE Insurancetimes GUIDE

Outside the conference there is a wealth of culture and entertainment. Tom Flack shows the way.

With barely 48 hours to spend in Scotland's largest and most boisterous city, and with a conference schedule as exciting and varied as any in its 30-year history, *Insurance Times* handpicks a list of 'must do' activities, both at Biba and beyond.

From pampering days to cookery classes, there should be something to whet even the most battle-hardened of broker's appetites. But in case there isn't, we have a list of key watering holes and restaurants to wash away the memories of a long day at the SECC.

The conference

After Biba chief and chair Eric Galbraith and Derek Thornton unleash their expected attack on the FSA for its morbid obsession with commission disclosure, attendees will doubtless be pleased with both the topicality and profile of the opening keynote session, 'Influencing tomorrow'.

Do not be fooled by the vagueness of the name – the panel assembled includes: assistant secretary of state to former President Clinton, James Rubin; Stéphane Garelli, director of the World Competitiveness Center; and activist, author, economist and fellow of Cambridge University, Noreena Hertz – whom *Harpers Bazaar* has named as one of the most powerful women in Britain.

The fact that the discussion will be led by Declan Curry of BBC *Breakfast* fame should be enough to keep any would-be deserters firmly in their seats.

But should anyone be in need of motivation after lunch, they would do well to attend the seminar led by self-styled business development guru, Philip Hesketh. His talk on the 'Psychology of persuasion' has proven the most sought after session among Biba members.

Two other sessions, however, should be no less revealing, with Fortis chief Barry Smith leading a discussion on how brokers can equip themselves better for handling the cut-throat motor market, and a talk on the shifting relationship between aggregators and their reticent broker partners. After all that, brokers considering giving up the ghost ➔

30 things you (probably) didn't know about Biba

- The Biba conference has been held at 16 different venues, including Paris and Jersey.
- The Biba exhibition has more than doubled in size since it was last in Glasgow in 2004. The amount of floor space used has increased from 2300sqm to 7000sqm.
- It is the fourth time the Biba conference has been held in Glasgow – more than any other city.
- Over 35 companies are exhibiting at the conference for the first time this year.
- The technical equipment that was put into the conference at last year at the Excel Centre in London was worth more than £16m.
- This will be the first time that Biba has held an evening event on site at the exhibition centre.
- Heather Small was chosen to sing at this year's gala dinner, after the emotional impact that her song *Proud* had on the audience during Lord Coe's 2006 Biba conference speech.
- Biba represents 2,300 insurance intermediaries, including 98 of the UK's top 100 firms.
- Biba members handle around half the value of all UK home, contents, motor, travel, commercial and industrial insurance policies.
- Independent insurance intermediaries distribute nearly two-thirds of all UK general insurance, of which Biba members account for more than 80%.
- Between them, the Biba team has over 160 years' experience as insurance practitioners.
- Biba responded to 30 government/regulatory consultation papers in the last year on behalf of members.
- Biba has 20 meetings with MPs planned so far this year.

WANT UNSTOPPABLE TEAM MOMENTUM?

COMPETING WITH A CHAMPION MAY CHANGE YOUR OUTLOOK FOREVER.

You're on the ice. With a target, a stone – and no resistance. Except a failure of arm and eye to deliver what you need. It's all down to the momentum you deliver – and your team's ability to smooth your path to the goal. In other words, it's a lot like insurance.

At the BIBA conference, Primary General gives you the chance to curl against David Murdoch, Skip of the European Curling Champions.

It won't just be fun, it'll teach you a lot about teamwork and what it takes to win.

From insurance solutions that create winning results to pitting you against champions – every day Primary General is thinking of more ways of putting you first. You'll find us on Stand D8 at the BIBA Conference.

www.primarygeneral.co.uk

PRIMARY
GENERAL
PUTTING YOU FIRST

Biba by day

→ and selling their businesses before the day is done would do well to attend the afternoon session with Lucy Beresford, resident at the legendary Priory clinic in Roehampton. Beresford will provide some much needed relief when she delivers her talk, 'Dealing with pressure'.

If that doesn't work, and you're not pencilled in for one of the exclusive insurer dinners, it might be worth checking out the Biba funfair where there will be a plethora of stress-busting options, including a coconut shy and dodgems. Fair play to them – it should be good fun.

On Friday, should any of you be nursing headaches and bleary eyes, there could be a rude awakening in store from seemingly immortal BBC security correspondent and OBE Frank Gardner, who will provide his account of being shot six times by Islamic extremists. Obviously, he survived.

Options abound after lunch, including Cunningham Lindsay UK chief Phil McNeilage, who will address the impact of last year's floods. Other delegates, meanwhile, will be reaching for the skies when former Red Arrow Justin Hughes explains what it takes to be the best.

But despite red plumes of smoke, seaweed wraps and splinter cells, few would dispute that the highlight of the conference will be the closing address by rockstar turned millionaire turned eco-campaigner turned knight of the realm, Bob Geldof. His talk, 'Is that it?', is expected to lambast the inaction of Western governments to deal with poverty across the globe, and will doubtless leave a lasting impression on all the attendees.

“ The highlight of the conference will be the closing address by rockstar turned millionaire turned eco-campaigner turned knight of the realm, Bob Geldof.

If you need a break from the humdrum of the conference, there are a host of options available to you out in the city.

Biba options

- **Pamper Day, the Marriott Hotel, 50 Argyle Street** For a meagre £60 you can enjoy the pool, spa and either a massage, facial or manicure. The fun begins at 10am on Thursday. Slippers included.
- **Cookery school, Peckams, Glassford Street** Learn how to cook your own three-course gourmet meal. And then eat it. A snip at £50.

Sightseeing

- **Bus tour** What finer way to view Glasgow than with the weather roulette tradition of an open-top bus tour? Tickets are valid for two days, so there's no rush to cram it all in. For more info, visit www.scotguide.com
- **Glasgow Cathedral** With the first stone laid in 1136, the cathedral, just outside the city centre in the East End, is the place to come to get a sense of the city's history.
- **Centre for Contemporary Arts** Based in the heart of Glasgow, this place has five floors hosting the latest in visual arts, contemporary music and film, with sidelines in performance art and spoken word, as well as two cafés for pit-stops.
- **The Botanic Gardens** This West End landmark features the famous collection of glasshouses and includes the renowned Kibble House, which contains an extensive collection of tropical and temperate plants from around the world.
- **Auchentoshan distillery** Ticking all the boxes (that is culture and whisky) and only 20 minutes outside of Glasgow, the fabled distillery lies next to the Erskine Bridge. Its claim to fame is the triple-distilled single malt it produces. There are daily guided tours and a shop, and to find out more, visit www.scotlandwhisky.com/distilleries/lowlands.

Shopping

- **Buchanan Galleries** Located at the junction of Buchanan Street and Sauchiehall Street this shopping mall is to Glasgow what the Arndale Centre is to Manchester. The newest edition to Glasgow's shopping malls, it hosts over 80 boutiques and shops.
- **Princes Square** Described by the *Glasgow Guide* as uniquely elegant, it houses exclusive designer names and boutiques, the Scottish Crafts Fair and various trendy cafés and bars. **IT**

- Biba monitors and considers responding to up to 600 government consultations papers each year.
- In 2007 Biba received more than 700 media mentions.
- More than 500 brokers own the Biba compliance manual.
- 172 Biba regulation guidance notes have been issued to members since 14 January 2005.
- The Biba consumer helpline receives over 50,000 calls annually which are referred on to members.
- The online 'find a broker' facility receives over 80,000 visitors annually.
- More than 13,000 users have purchased Broker Assess, Biba's online training and competency programme.
- The document most frequently downloaded from the Biba website is *The Biba Guide to TCF Management Information.*
- Biba has five technical committees focusing on specialist areas - property, motor, liability, private medical insurance and regulation. There are 12 regional committees capturing grass roots views which are feed back to Biba.
- Biba has around 30 schemes and facilities which are specially negotiated for the benefit of members.
- Biba is a not-for-profit organisation. Membership starts from as little as £36 a month.
- Biba has 22 partners, including insurers.
- Biba also represents members on an international level via Bipar, the European Federation of Insurance Intermediaries.
- Biba was founded in 1977, became Biiba in 1988 and then returned to Biba in 1999, following its involvement in the establishment of AIFA.
- Two Biba staff members are grand parents – guess who?
- Collectively, Biba staff have 10 fish, five cockatiels, four cats, three guinea pigs, two Kakiriki's, one dog and a tortoise.
- Any number of staff from any Biba member firm can attend the Biba conference for free.

That reminds me

As the Biba conference celebrates its 30th anniversary, Alex Davis asked stalwarts of the industry for their favourite recollections.

The augural Biba conference was held at the National Exhibition Centre in Birmingham, in October 1978. A look through the archives reveals the year to be dominated by bad hair, ill-advised clothes and England failing to qualify for the World Cup. Biba itself was newly formed in the wake of the 1977 Insurance Broker's Act, and the industry was busy getting its house in order.

The first year was a relatively small affair. There were 450 attendees, no exhibition and no guest speakers. It did, however, set the standard for the spirit of future events - as one stalwart attests: "It was a very good laugh."

Since then it has swelled to become the bonanza it is today, with nearly 200 stands and over 3,200 attendees in 2007. Peter Staddon, head of technical services at Biba, has been involved in the conference since 1998. He says: "The conference has been growing and changing shape. We've been trying to make the exhibition a market place in its own right. We have had people coming from outside the UK – Poland and Australia, for instance – who get blown away."

The conference is especially loved for the opportunity it provides for everybody to let their hair down. "It's a great way of talking to people in a different environment. I can get policy quotes at any time over the phone, but here you can forge relationships," says Staddon.

"One year, we held the chairman's dinner in the crypt at St Paul's Cathedral. Last year, we had a guy dressed as Del Boy and another as Dame Edna Everage, just wandering round. A chief exec said to me 'I've never seen [the industry] in this light'.

"Of course it's hard work. Organisers and exhibitors won't finish until midnight, and then it's up again at 7.45 the next morning. But we have a lot of fun."

Fun is high on the agenda and everyone has their own tale to tell, from the surreal surroundings of a blitz-style party to the tellingly hazy recollections of John Foster, Foster Leighton (see overleaf).

Staddon remembers his personal highlight: "For me, it was the time they tied up [former Biba chief executive] Mike Williams and threw knives at him."

Williams has his own memories of the near-death experience: "It was actually quite worrying. I had absolutely no warning at the banquet. I was asked whether I'd like to wear a blindfold or not, and then a gent proceeded to throw real knives at me. The wind from one of them just whistled past my ear."

> **"In Nottingham, the chairman's dinner was in costume, with a Sherwood forest theme. We all wore Robin Hood outfits complete with green tights.**
>
> Mike Williams, ex-Biba chief executive

A recollection Williams holds more fondly →

Memories

➔ comes from his first conference. "It was in 1995 in Nottingham. The chairman's dinner was in costume, with a Sherwood forest theme. We all wore Robin Hood outfits complete with green tights."

With the 30th year set to continue the success of the preceding 29, the Biba conference is the finest excuse for all and sundry to come together, loosen the shackles and continue to push the industry forward.

Ian Mantel, director, Manor Insurance:
"Every [conference] that I've been to has been absolutely blinding, year on year, every one of them. There have been so many good guest speakers, [Olympic 1500m gold medallist] Sebastian Coe during the Olympic bid, for instance. But the one I remember best was six or seven years ago, when [Olympic rowing gold medallist] Matthew Pinsent was saying, 'do your best, you can always do better', when he pulls something out of his pocket and says: 'Look, here's what an Olympic gold medal looks like'. Then he says: 'Here's another,' and pulls one out of his other pocket."

Dennis Veingard, commercial manager, Churchill Insurance Consultants:
"I've been to the majority of conferences and I'm going again this year. The old memory's fading, so I don't remember any too clearly, just late night sessions chewing the cud. I remember it was a very good laugh. There were a lot of characters around then, like the guys from Hamilton Wellard, although most of them have retired by now."

Eamonn Browne, director, James & Browne:
"I started going about 18 years ago and the best part was the end of conference event. It's now the gala banquet, but it used to be nearly always in fancy dress. In pre-PC days it was a time to be letting your hair down. I especially remember a year with a South Sea Island theme. Some guests turned up wearing grass skirts and coconuts. Now no one would dare to wear fancy dress. We seem to be getting out of the habit of having fun. We don't relax enough any more."

Olympic athlete Sebastian Coe.

Graham Anderson, managing director, BSSA Insurance Brokers:
"Every year I turn up, wander round in a daze, then go home on the Friday. This year I'm going to the gala dinner. In eight years, the only speaker I missed was [former Conservative Party leader] William Hague. Of course, every time I hear something about the conference, there are people saying about him being the best speaker ever – a born entertainer."

Heather Wells, commercial account handler, Towergate:
"The most memorable speakers I recall were: Matthew Pinsent, who even passed his gold medals around for us all to have a look at, and hold, albeit for only a few seconds; former Shadow Chancellor, Michael Portillo; William Hague; and [former director general of security organisation MI5] Dame Stella Rimington. I am looking forward to hearing this year's guest speakers. I also remember enjoying partaking of the chocolate fountain at the Groupama stand a few years ago – very delicious. I also remember Abbey Legal Protection hosting evenings at a vintage car museum in Bournemouth, and on the tall ship in Glasgow. Both were very enjoyable evenings, despite twisting my knees badly on the ship!"

Vida Wilson, associate director, Jardine Lloyd Thompson:
"The one thing which I quote to everyone was last year when [*Private Eye* editor] Ian Hislop was speaking and he told everyone: 'I'm only here to get good quotes for libel and slander insurance' – that really appealed to my sense of humour. I also managed to win an all-expenses trip to the Rugby World Cup semi-final on the Norwich Union stand prize draw. I never win anything and when my PA rang me on the way back from the conference to tell me to ring Norwich Union, I couldn't believe it. Of course, I had no idea the semi-final would turn out to be England versus France – it was the experience of a lifetime."

> **"I especially remember a year with a South Sea Island theme. Some guests turned up wearing grass skirts and coconuts.**
> Eamonn Browne, James & Browne

Jill Hamilton, Hamilton Leigh:
"The immediate memories that spring to mind are the fantastic keynote speakers like Robert Winston [popular scientist], and the very witty William Hague. We have always managed to come away each year with one very significant network opportunity that makes the trip to the conference very worthwhile."

Lindsay Campbell, Biba conference organiser:
"In 2005 , the chairman's dinner was held on 6 April at the Manchester Art Gallery. I had already gone ahead of the coaches transporting the guests to the venue, to lay out the place cards and ensure everything was OK for their arrival. I waited and waited. Time was now ticking by and even though it was a relatively short journey from the conference venue to the art gallery, still the two coaches, full of our guests, had not appeared. To top it all, it had also started to pour with rain. Eventually, and much to my relief, the coaches turned up. One of them had a slight collision en route with a bus. Thankfully no one was hurt, but the guests certainly were in need of a pre-dinner drink or two."

Neil Cook, specialist, Delite Insurance Agency:
"The most notable memory for me was at the last Glasgow event. I was at the Biba blitz do, in the dark with the sound of an air raid and war going on around us when I saw an evil spectral sight. It was my ex boss – a big pale bald guy – in the light as they opened the door. It was worse than any horror film. I almost had a heart attack." **IT**

Ease the tension

The stressful nature of the industry is causing many to turn to excessive drinking, so employers should step in to help. Lauren MacGillivray reports.

The pressures of regulation, market woes, sales demands and long hours make insurance a stressful career. Sometimes, that pressure can lead to addiction. Boozy lunches and after-work drinking sessions are just one way those in the industry, particularly in the City, let off steam.

Of course, these gatherings can be harmless. But harmless can quickly turn to harmful, and Lucy Beresford, a psychotherapist at The Priory in Roehampton and a former investment banker, has made a business out of advising people on healthier ways of dealing with stress.

Biba believes Beresford will be able to provide useful tips for brokers and insurers during its annual conference. A Biba spokesman says: "Stress, both negative and positive, is something everyone in business has to cope with on a daily basis. However, we know from our members that pressure from all sides has been particularly marked over the past year. Brokers are having to contend with difficult market conditions, a credit squeeze, intense merger and acquisition activity and an increasingly combative regulator.

"We have in the past run seminars on general lifestyle issues and we know they are very popular. So we felt there was room on the programme for a session dedicated to recognising and coping with pressure and the symptoms of stress."

Beat the Booze, a book co-authored by Edmund Tirbutt, is aimed at the general population. But after working for Legal & General as a marketing analyst, and as a financial journalist and insurance consultant, Tirbutt is convinced that the insurance industry is particularly affected by a stress-related drink culture.

"When I worked in the insurance industry in the 1980s, it was perfectly acceptable at lunchtime to go to the pub and drink as much as you could handle. It was all part of doing the job," the 50-year-old says. "It still has a drink culture and it's a stressful job. But it's just a question of breaking the spiral before it gets out of control."

Work absenteeism

Tirbutt, who battled alcohol addiction but has been teetotal for over 21 years, believes all companies have a certain percentage of employees with drink problems. With alcohol as the likely cause for up to one in 20 cases of work absenteeism, according to the Health & Safety Executive, Tirbutt urges employers to consider the consequences of doing nothing.

"Companies should have policies on this, and unhealthy drinking should be treated as a medical condition. Attitudes over what's →

Stress

→ acceptable do change, for example drink driving."

Meanwhile, research from global human resources consultancy BlessingWhite has revealed that European financial workers fall below the global average for being happy and productive in their jobs.

Only 21% were fully engaged, meaning they combined maximum contribution with maximum job satisfaction, compared to over 30% globally.

More alarmingly, almost one in five respondents categorised themselves as disengaged, meaning they feel discontented or unproductive. And when added to those who are crashing and burning, meaning they are unhappy but still reasonably hard-working, a third of European banking and finance sector workers are characterised by a lack of dynamism in, and enthusiasm for, their job. Globally, the average is just one fifth.

Tom Barry, European managing director of BlessingWhite, says: "The pressure is on within the banking and finance sector at the moment, but our research shows that European financial sector workers are not relishing the challenge of responding.

"With the current uncertainties in this sector and recent job cuts, it is more important than ever to retain and engage talented staff. This can only be achieved through strong, values-driven leadership at all levels. Finance sector managers must be prepared to take this leadership challenge personally and drive engagement and inspire employees through their own convictions and beliefs."

While stress afflicts the insurance industry's own workers, the condition also provides brokers with an opportunity to increase sales.

> **"When I worked in the insurance industry in the 1980s, it was perfectly acceptable at lunchtime to go to the pub and drink as much as you could handle.**
>
> Edmund Tirbutt, author

Insurance for critical illness, income protection or private medical insurance are options, but are expensive and can be tough to sell.

Another option is a health cash plan, which provides payments towards everyday healthcare requirements such as optical or dental care. It can also provide emotional support for those suffering from stress.

For example, HealthSure offers a 24-hour counselling helpline and face-to-face counselling through First Assist, as well as an occupational health benefit.

With sickness absence costing companies an average of £659 per employee per year, and stress and alcohol as a major reason for sickness and absenteeism, HealthSure says its services can help employers get their employees back to work faster.

David Wilson, intermediary manager for HealthSure, says: "A lot of employers are talking about risk and liability insurance, and employee wellness is another area where they should protect themselves. This provides another reason for brokers to talk to them about health cash plans."

Assistance programmes

Employee assistance programmes, which include services like counselling, are becoming increasingly popular among employers. The Employee Assistance Professionals Association (EAPA) is the independent professional body for the assistance programmes and represents professionals concerned with employee assistance, psychological health and well being in the UK.

Its services include financial tips. But Eric Marshall, chairman of EAPA, says stress is usually the underlying issue. "For example, people will phone and say they're having a difficult time managing their household budget. But often, it will turn out they're drinking at the pub because of problems at home or at work, and that's why they have no money. So we help them in different ways," he says.

With the government's increase on alcohol and cigarette tax in the last Budget and an increasing onus on employers to provide health support for employees, brokers and insurers should be aware of issues surrounding stress and addiction. It could be an increasingly relevant area in their personal lives, but also a prime business opportunity. **IT**

Dealing with pressure, Lucy Beresford, Thursday 4.10pm.

Regulation

IN THE SHADOW OF THE REGULATOR

Brokers have one last chance to stop the FSA introducing yet more red tape. Danny Walkinshaw explains how. Illustration by JAKe

FSA chief executive Hector Sants and his inspectors are ready to get heavy. Worried that customers are losing out because of murky practices in the UK commercial insurance market, they are set to tighten up the red tape. If Sants has his way, brokers could have to declare commission, including commission for sub-contractors, voluntarily to every client, whether they want it or not. This, the FSA thinks, will force brokers to manage potential conflicts of interest with their insurer partners.

But the market has one final chance to stop this happening. The FSA has published a range of proposals for the new regulatory regime and given the market three months to respond. In the meantime, its inspectors are knocking on brokers' doors up and down the country to check whether they are complying with the existing rules and codes of conduct. What they find will have great influence on how much more regulation they decide to impose. So what can brokers do to beat back the regulator?

Steve White, regulation and compliance manager at Biba, says brokers should not fear the FSA inspectors, but urges them to be prepared. "They will ask things like, 'do you have an internal policy [for managing conflicts of interest] in place?' They will check that you are managing them," he warns. "They might look at board minutes and management minutes, maybe even client files. They will have an audit programme that they will need to complete." This paper trail is key to keeping the regulator happy. "Brokers should remember that the FSA has an over-arching belief that if it is not written down then it should not happen," says White.

The trade body adds that if brokers structure their remuneration correctly, they can protect revenue streams and their customer base, without facing regulatory sanctions. But why is the FSA so worried about commission?

> **"The FSA has an over-arching belief that if it is not written down then it should not happen.**
>
> Steve White, Biba

It is concerned that brokers are failing to disclose financial relationships with insurers, and that this is having an adverse impact on consumers. For example, broker A could receive contingent commissions from insurer B if he placed a certain amount of business with it, thus making him more likely to place that business with that insurer, whether or not it was in the client's best interests. The FSA believes that forcing brokers to make a full disclosure of all commissions, including contingent commissions, will force them to manage such conflicts of interest. The FSA has had its beady eye on commission

10 tips to keep the FSA happy

1. Conduct your business with integrity and treat customers fairly.
2. Ensure that you do not solicit or accept inducements that could potentially conflict with your duty to customers.
3. Disclose commissions when commercial customers request it.
4. Do not offer incentives to staff that encourage them to sell products that are not needed by clients.
5. If you perceive a potential conflict of interest, you must act to reconcile the conflict, even if the customer does not ask you to.
6. Demonstrate that you have rigorous internal policies and procedures for identifying and managing conflicts of interest, and preventing them from affecting customers.
7. Regularly review policies and show that staff have been properly trained to follow them.
8. Profit share agreements on business placed with insurers should be managed correctly to avoid a conflict of interest.
9. Corportate hospitality and gifts from insurers must also be managed to avoid conflicts arising.
10. Stay up-to-date on the latest advice and make sure all business is well documented, and not susceptible to FSA scrutiny.

“The increased blurring of the distinction between insurers and intermediaries increases the need for conflicts of interests to be managed.

Hector Sants, FSA

disclosure ever since it began to regulate general insurance. But following an → → independent cost-benefit analysis which last year found that the cost of forced disclosure would outweigh the benefits, the FSA vowed to investigate a wider set of market inefficiencies before making a decision.

One of those issues, conflicts of interest, became the FSA’s key focus, prompted by seismic shifts in the broker landscape. Its investigation, launched at the end of last year, followed a spate of insurers acquiring commercial brokers or taking stakes in them. Early last year, AXA, for example, acquired Layton Blackham, Stuart Alexander and Smart & Cook, to form its broking division, Venture Preference. Groupama was also active, acquiring brokers Carole Nash and Lark, and taking a majority shareholding stake in Bollington. Since then, the deals have continued, with AXA buying SBJ, and Allianz looking to up its stake in Oval, to name but two.

According to an official statement from the FSA’s Sants, made at the end of last year: “The increased blurring of the distinction between insurers and intermediaries increases the need for conflicts of interests to be managed.”

Another area surrounding conflicts of interest that the FSA is paying close attention to is the increased use of delegated authorities, and where brokers accept risks on the insurer’s behalf. Or they may just take on administrative tasks for the insurer, often through the use of managing general agents (MGAs). These arrangements, which are growing in popularity, are perceived to increase the risk of conflicts of interest.

So when the inspectors come knocking, it’s up to brokers to convince them that they can treat customers fairly without the need for additional regulation. Otherwise, they will soon finding themselves facing more red tape than ever before. **IT**

Biba’s Steve White says conflicts, transparency, disclosure – whatever next?

Much has been written about the FSA’s work on commission disclosure. But behind the headlines, what exactly is the FSA seeking to achieve and how is the industry responding? The paper sets out six outcomes that the FSA is focusing on in its quest to achieve a more competitive and efficient market.

Outcome 1

Commercial customers should have information which indicates the full cost of mediation, including the likely extent of contingent commissions on a standardised and clear basis, and the total commission paid to intermediaries throughout the chain.

Biba’s position is that we certainly support the full and clear disclosure of all remuneration, but believe that this should happen upon the commercial customer’s request and not be mandated. We are concerned about some of the practical issues of disclosing the total cost of commission throughout the chain and are seeking our members’ views before finalising our stance.

Outcome 2

Commercial customers should have clear information about the services an intermediary provides, including the breadth of search he undertakes.

Biba has been encouraging its members for some time to use ‘terms of engagement’ with commercial customers. This document should clearly explain to commercial customers the activities undertaken by the intermediary on the customer’s behalf. The status disclosure requirements already include a description of the breadth of choice and we believe it should be more relevant than the number of insurers actually approached.

Outcome 3

Commercial customers should have clear information about the capacity in which an intermediary is acting – that is, whether he is acting for them, for the insurer or, in some cases, for both.

Biba believes this to be important. The insurance conduct of business sourcebook (ICOBS) rules as currently drafted do not require details of the capacity in which the intermediary is acting to be disclosed. This disclosure is contract-specific and could be catered for in any covering letter/document issued to the customer.

Outcome 4

Conflicts of interest arising from remuneration arrangements or business models should be properly disclosed and managed.

We fully support this key principle. Biba has produced guidance notes on how to identify and manage potential conflicts of interest and on how to create an internal conflict management policy. Both these papers are available at www.biba.org.uk

Outcome 5

Commercial customers should have sufficiently standardised or comparable information to enable them to gauge the value of intermediary costs and services, and compare these across the market.

Biba has started to explore the possibility of designing templates to help develop models for disclosure, should it be requested. In the meantime, the FSA has resisted a standard approach in CP08/3 for investment business, and we will argue for it to be consistent here.

Outcome 5

Commercial customers should be made aware of their right to commission information and helped to appreciate the value of using it.

Biba has actively been encouraging members to use a more transparent wording in TOBAs with commercial customers for more than two years. Clearly the FSA will be discussing with commercial customer representative bodies how best to address the customer education aspect of this outcome.

THE ROAD TO PROFIT

With motor rates hardening and the government stepping in to help, could the market finally make some money? Ben Cook reports.

The motor market could finally make a profit in 2009, after 14 years of loss, according to research firm Datamonitor. It forecasts that the market will make a loss again in 2008, but see profits of some £30m in 2009 as premium income is expected to grow at a faster rate than claims costs.

But is it really full steam ahead for motor insurance? Experts say that the wheels are only just starting to turn, and could, once again, go backwards.

Considering how bad 2006 was for the motor market, an improvement last year – the nub of Datamonitor's assessment – was far from surprising. Following some rate hardening in the latter part of 2006, in 2007 the market grew by an estimated 7.8%, fuelled by rate increases across the market of almost 7%. This contrasted bleakly with 2006, which saw a marketwide contraction

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of 0.9% to £9.3bn, and a loss of £448m, compared to only £85m in 2001 and £232m in 2005.

This decline, according to Datamonitor was the result of competition, which culminated in some players opting to leave the market, most notably Legal & General in June, after the insurer saw its motor book decline from £34m in 2004 to £11.7m in 2006.

Datamonitor's optimism about the motor market prospects is shared by neither insurers or brokers. Despite some important developments that will help brokers squeeze more cash out of the tough market, such as continuous insurance enforcement and the electronic delivery of motor insurance certificates, most motor insurers believe they will still struggle to return a profit.

Barry Smith, chief executive of Fortis, doubts the motor market will make a profit next year. "There needs to be a lot more rate strengthening to get into profit," he says. Smith adds that, while it is likely that some of the leading players will be in the black, it is very optimistic to suggest that the sector as a whole will report a surplus. He argues that claims inflation, coupled with a net outflow of reserves over the past two years, means that many players will be reporting losses.

Graeme Trudgill, technical and corporate affairs executive at Biba, where he runs the motor committee, also doubts that 2009 will be a year of profit. "There are a few reasons why you'd struggle to see it [profitability] – claims inflation is high, and with comparison sites, you're getting the rock-bottom price every time," he says. "I don't think it [premium income] will outrun claims inflation, so I'm not convinced."

AA Insurance is also unconvinced. Responding to the Datamonitor report, AA Insurance chief executive Andrew Strong said last month that continuing claims inflation and premium competitiveness made profitability in 2009 unlikely. He added that the cost of claims was showing no signs of slowing. He said: "The cost of damage to property and vehicles is rising

"If you look at the market overall, there needs to be a lot more rate strengthening to get into profit.

Barry Smith. Fortis

Continuous insurance enforcement

Continuous insurance enforcement (CIE) – as outlined in the Road Safety Act 2006 – will mean brokers should get more business. The DVLA, which has been appointed to run CIE, is currently planning its implementation. The scheme will compare the DVLA registered keepers database to the motor insurance database to check if there is an insurance gap. Anyone who has a vehicle but no insurance will be automatically sent a penalty notice. This could be followed up by seizure if the penalty is not paid.

Biba's Trudgill says: "CIE will mean selling more motor insurance policies. Brokers can send the message out – your policy has been cancelled, note it is an offence, there is a database, you can't get away with it." He adds that CIE could lead to better retention. Biba will be involved in the development of CIE, which is expected to go live by spring 2009.

Moreover, the crackdown on uninsured driving – which costs the industry £500m per year – has already seen some real success, according to Trudgill. The number of vehicles seized for being uninsured stood at around 150,000 in 2007, almost double the 2006 total of 78,000.

Meanwhile, the overall level of uninsured driving is estimated to have reduced by more than 10% in the past two years.

However, Biba wants the government to do more to tackle the problem. Trudgill says that, unlike drink driving for example, there has never been a government media campaign against uninsured driving. But this is about to change.

"The Motor Insurers' Bureau and Biba have pushed for this and the government has said we will have a campaign. It has allocated serious money", says Trudgill.

038 Motor

Electronic delivery of motor certificates

It is the electronic delivery of motor certificates that will save brokers the most money. "This is the biggest one, no staff printing [certificates] or stuffing envelopes, and no [print] cartridges", Biba's Trudgill says. He adds that the potential savings for brokers as a result of delivering certificates electronically has been estimated at around £11m, but it could be much greater.

Trudgill recounts the story of one broker who contacted him asking when electronic delivery was going to happen, because he said it would save his company £1m on printing and postage.

However, progress on electronic delivery has been slow. In November last year, Jim Fitzpatrick, road safety minister, said he had instructed departmental lawyers to begin drafting the necessary legislation, but there have been no developments since then.

Trudgill adds: "The government said it will write the rules, but nothing has happened yet. It's a cheap thing for the government to do, but the Department for Transport (DfT) doesn't have the resources, though the DfT said it's very high on its 'to do' list."

Carole Nash is one of the brokers monitoring the electronic delivery issue. Simon Jackson, commercial director at the specialist motorcycle broker, says electronic delivery would not only mean a reduction in costs but also a better service for customers. "Electronic delivery is on our radar and we're looking closely at the legislation – cost is important, but it's also about a perceived increase in service," he says.

Telematics

Telematics, or pay-as-you-drive insurance, is viewed with some caution by Biba. Trudgill says: "Direct insurers, like Norwich Union and More Th>n, have run with it, and we're looking at how brokers could become involved. This is not new in the fleet world, but the problems are paying for the black box and paying for it to be fitted."

Trudgill adds that, as a result of paying for the necessary equipment, there are incredible costs involved in using telematics. Meanwhile, he also believes that comparison sites have lessened enthusiasm for the technology. "They stole telematics' thunder," he says.

Though Trudgill backs telematics in principle, he has doubts about whether the system is workable. "It's a good idea, but every insurer has a different black box. We'd like to see a universal box, but the commercial reality is different, insurers will do their own deals."

An AA Insurance spokesman agrees that telematics could be a useful tool for the sector. "Telematics has its place because it discourages young drivers from driving at night," he says. "For instance, there is the basic premium plus 10p per mile, but then it's £1 per mile after 11pm when alcohol may be involved."

> **"The cost of damage to property and vehicles is rising by around 5% per year – on top of that we are seeing personal injury claims continuing to increase by 10% per year.**
>
> Andrew Strong, AA Insurance

by around 5% per year – on top of that we are seeing personal injury claims continuing to increase by 10% per year, as accident victims are more willing to make claims these days."

AA Insurance predicts that in 2007, for every £100 received in premiums, £112 will be paid out in claims.

And even Datamonitor's bullish estimates include the caveat that growth in the market to £12.5bn in 2012 will be uneven, and will include a return to loss in 2010. Average growth over the next four years is forecast at a relatively healthy 4.4%, but this is expected to be uneven, which will make smaller players, unable to withstand pronounced shifts in pricing, more vulnerable.

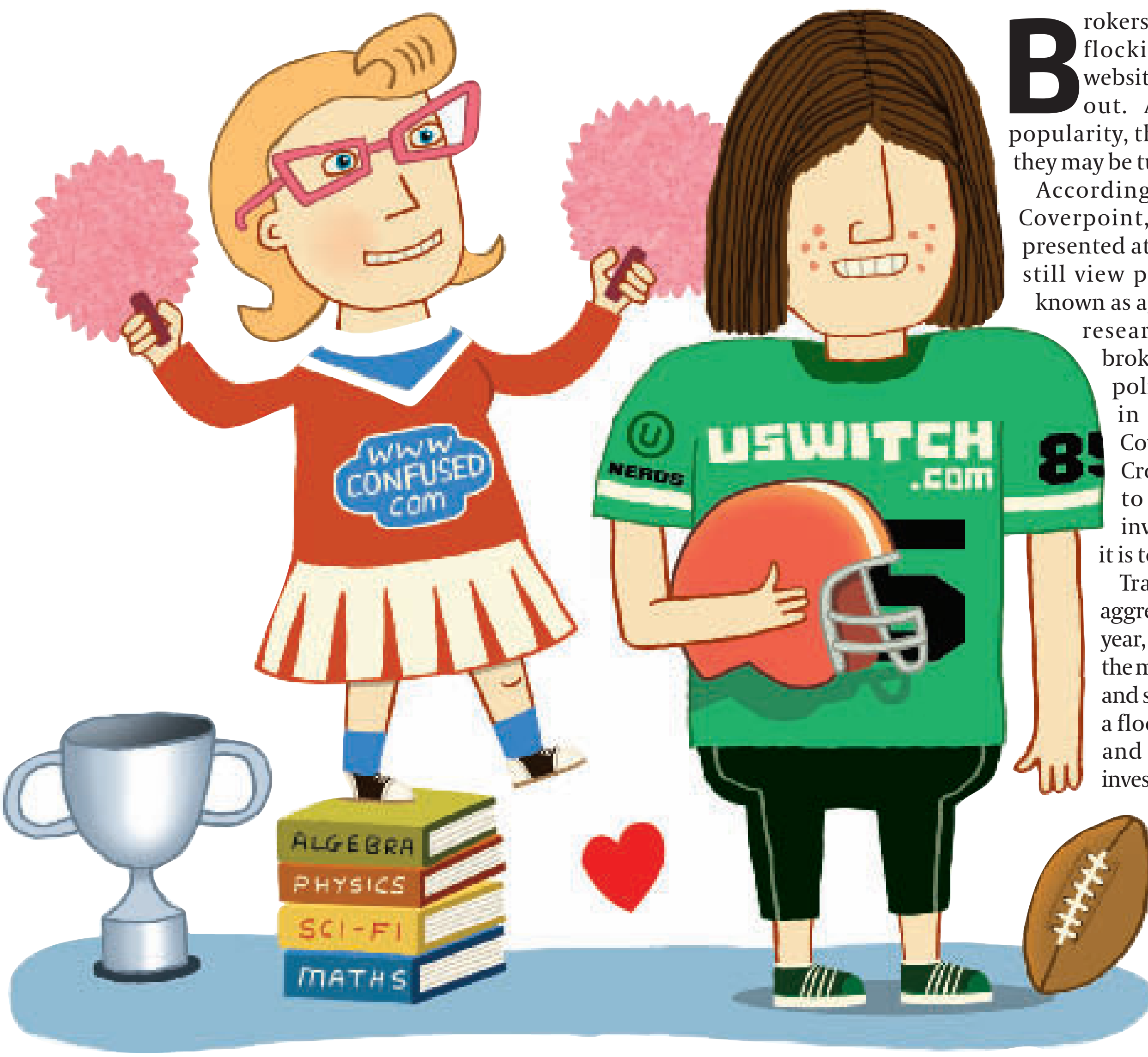
The report also says that the market share of brokers will continue to fall because private motor insurance consumers feel confident in arranging insurance without the help of professional advice.

With two thirds of consumers arranging private motor insurance via the telephone (the bread and butter of market leader, Direct Line) upping market share without losing profit in the sector could prove an insurmountable challenge. Direct Line's parent company, RBS, in fact controls 31.2% of the market, a figure that has not changed since 2005. The remainder of the top ten insurers, meanwhile, control 41.4%. The rapid growth of internet business could at least provide fleet-footed up-and-comers with a beacon of light.

But there is some good news for brokers, with several new developments that will make life easier and transactions simpler. If they are implemented according to plan, and work as well as hoped, there may be hope for the market yet. IT

REVENGE OF THE AGGREGATORS

New research shows how brokers should be working with aggregators, but it could already be too late. Sarah Kennedy reports. Illustrations by Allan Sanders



Brokers hesitating to join the masses flocking to price comparison websites be warned: time is running out. As the sites have gained popularity, they have gained power – and they may be turning against brokers.

According to a recent survey by Coverpoint, the results of which will be presented at the Biba conference, brokers still view price comparison sites, also known as aggregators, with mistrust. The research also shows that some brokers are out of touch with what policyholders want, particularly in personal lines claims. Coverpoint chief executive Harry Croydon warns that brokers need to wake up to reality and get involved with aggregators before it is too late.

Traditionally, brokers have seen aggregators as the enemy. Earlier this year, Biba issued a scathing report on the market, claiming it was confusing and sometimes misleading. It caused a flood of national press headlines and a promise by the FSA to investigate further.

Of the more than 100 brokers who responded to the Coverpoint survey, many said clients want a bespoke service for the personal lines products they buy, a view that Coverpoint's Croydon believes is not entirely realistic. "Brokers are living in ➔

042 Aggregators

➔ a world where they think they are offering a unique service, but really it is full of commoditised products," he says.

Brokers believe that consumers use aggregators to get the ball park figure of prices and then go to brokers to actually buy the policies, according to the research. But Croydon discredits that theory. He says that many consumers look to purchase insurance over the internet because it can be done outside of business hours.

These misconceptions may explain why, despite the cross-selling and distribution opportunities offered by aggregators, there are still only about 60 brokers actively engaged with the sites. But the delay in joining the panels from which the aggregators draw their quotes may come back to bite brokers. As their popularity grows, many aggregators are becoming increasingly picky about whose products they will list. "They will have to get in quick, otherwise they will lose out," warns a spokesman from one site.

The power has shifted, and brokers will now have to work harder, according to James Harrison, chief executive of price comparison site Insurancewide. "Brokers need to be energetic, innovative and linked-up to proper technology in order to compete," he says.

Harrison adds that brokers should invest in niche products or offer a twist on a particular line of business that sets them apart from competitors on the panels. "This could be a massive opportunity for brokers as opposed to a massive threat," he says. "They need to look at the market and say, 'I want to appeal to a certain group' and then really go for that niche. That is adding value.

"There has been some great success of brokers sitting on aggregators. However they need to set themselves apart otherwise they are just presenting the same panel as everyone else." ➔

> **"Brokers need to be energetic, innovative and linked-up to proper technology in order to compete.**
>
> James Harrison, Insurancewide

Why brokers want to play with aggregators

1 Cheap and easy access to large pools of business without the costly marketing spend.
Debra Williams, managing director of Confused.com, says: "Before price comparison sites, brokers typically had to spend considerable resources building and developing a brand in order to compete with the direct players. This may have been suitable for larger insurers with deep pockets, but not so for the smaller insurers or brokers.

"The introduction of price comparison sites has helped level out the playing field by providing insurers, regardless of size, access to large volumes of business, opening up new risk profile opportunities."

2 Price comparison data to help brokers better compete against direct insurers.
Aggregators can provide brokers with data on what their competitors' prices are like. This will help the broker to tweak prices to allow them to be more competitive in the future, says Richard Mason, head of insurance at Moneysupermarket.com

Confused.com's Williams adds that this also allows brokers to negotiate specific schemes with underwriters and compete more favourably against direct players. They are also able to offer incentives such as free legal cover.

3 Managing clients.
Aggregators say their sites can help brokers and insurers, particularly in the niche areas, to attract the customers that meet that broker's criteria, through their filter systems.

4 Brand awareness.
As long as a broker lists competitively priced products, its brand will be exposed to approximately five million motor

044 Aggregators

➔ Ashton Berkhauer, commercial manager of insurance at uSwitch.com, is surprised that more brokers didn't get involved with aggregators earlier, particularly when those sites were more eager for participation. "Whenever there is a shift in technology, inevitably there will be losers," he says.

One broker that is playing in the aggregator arena is Kwik-Fit. Managing director Martin Oliver says that to succeed on the sites, firms have to be willing to make some sacrifices. "It puts a premium on price, so to be effective you need to be prepared to operate on low margins and build an infrastructure that has low variable costs per policy and additional sources of income," he says.

Kwik-Fit has been on aggregator sites since 2004 and has found the internet has made the search for car insurance much quicker and more reliable than face to face encountes or phone calls, Oliver added. "Brokers need to come out of the closet. They seem to come off as a bit naïve," he says.

> **"Brokers need to come out of the closet. They seem to come over as a bit naïve.**
>
> Martin Oliver, Kwik-Fit

Instant access

That said, in the past six months there has been a noticeable trend of start-up brokers coming into the market specifically to work with aggregators, said uSwitch's Berkhauer. The strategy gives the broker instant access to large pools of business without high advertising or marketing costs. These brokers can also use the data supplied by aggregator sites to keep abreast of business opportunities in those particular areas across the UK.

Berkhauer adds that there are advantages for aggregators in working with start up brokers because they usually offer a niche area of business that brings something new to the site. It's a tactic more brokers will need to develop if they hope to compete, he believes.

"Unless they can bring something new, extra or offer prices that are cheaper, why would aggregators add them?" **IT**

quotes that take place on aggregator sites per month, says Ashton Berkhauer, commercial manager of insurance at uSwitch.

But Berkhauer warns: "The customer may go to the broker or insurer's website after receiving a quote in order to gain confidence and if the site isn't comprehensive or professional, that customer might shy away."

5 Cross-selling opportunities. Many brokers sacrifice their own fees in order to keep the products they list on aggregator sites more competitively priced. On top of this, when they do make a sale, they customarily pay a fee to the aggregator site.

That said, brokers have the ability to generate revenue through the cross-selling of other products. For example, they may be able to sell a household policy to a customer who purchased a motor policy from them through an aggregator site. Aggregators can give brokers access to customers they may not normally have and this can provide a key source of income.

6 Market data. Based on the information collected by the sites, aggregators are able to advise brokers of opportunities to do more business. The sites can highlight particular areas in the UK or a niche that is not being properly served, allowing brokers to capitalise on that need.

7 Search engine optimisation. Aggregators tend to enjoy the top spots on search engines such as Google in both the natural search and advertising categories. Because of the power of aggregators, many insurers and brokers don't pop up on the first page when conducting a simple search. Being part of an aggregator will direct traffic to that broker's site, if its prices are competitive.

Channel hopping

As the going gets tough in the UK, brokers are eyeing opportunities abroad. James Dean reports.

An expedition into Continental Europe may seem like a good idea in the current climate. As if the plummeting rates being experienced in most classes of business weren't enough to contend with, there is the added worry of the credit crunch, which continues to knock banks and threaten the assets of every company in the financial services sector. If profits are to be maintained, they must be secured by other means. So should brokers be looking to operate in Continental Europe and, if so, what challenges will they face?

Since the implementation of the Insurance Mediation Directive (IMD) at the end of 2006, UK brokers registered with the FSA have been able to gain licences to trade in other EU member states. The licences have proved popular – there are already 400 UK brokers registered to operate in France alone.

But the UK is not alone in having uncertainties about whether brokers should be forced to disclose their commission. The IMD is currently under review, and last September, the European Commission ➔

“We try to argue for a fair regulatory framework in which business can prosper in tandem with the necessary consumer protection.

Nic de Maesschalck, director of Bipar

Ireland

According to a recent report by Standard & Poor's, Bermuda may start losing out to markets such as Dublin, Luxembourg, Dubai and Zurich. The use of English as the primary language, the GMT time zone, a 12.5% corporate tax rate, their common law systems and the quality and quantity of service support infrastructure are all attractive aspects of these domiciles.

Aside from these advantages, there also exist specific insurance opportunities in the Ireland. "The Irish market can be divided into two distinct segments, domestic risks and foreign risks," says a recent Lloyd's report. "Domestic risks are characterised by strong price competition and falling rates, while foreign risks are growing amid fiscal incentives for companies to become established." Foreign risks account for 45% of the Irish non-life market.

According to data from Swiss Re, Ireland ranks 14th in the world in terms of total premium volume – $47bn (£23.5bn) in 2006, up from $39bn (£19.5bn) in 2005. Life insurance makes up the majority, but total non-life premiums amounted to $10bn (£5bn) in 2006, with motor, fire & damage to property and liability the dominant lines of business.

Austria

Lloyd's recently released a report on Austria, concluding that it currently holds the greatest insurance potential of the Central and Eastern European (CEE) EU states. The report placed Austria at the top of the 11 states in the region in terms of business environment and insurance environment.

Austria's non-life market is the largest in the CEE region, while it has shown the largest volume of growth during the past five years and has reasonably good profitability, according to

Eastern Europe/Russia

According to PricewaterhouseCoopers' (PwC) data: "The rate of growth in the insurance markets of the CEE considerably outstrips most of their Western counterparts. Market liberalisation, economic expansion and rising consumer wealth and demand since accession to the EU could open up even more valuable opportunities for investment and development."

The newest EU member countries – Bulgaria and Romania – achieved premium growth four times higher than expansion in GDP. "If this rapid increase continues, Bulgaria and Romania will soon begin to catch up with other CEE markets," PwC says.

Companies derived from old communist monopolies have helped form a highly concentrated market, and a few insurance companies remain state-owned, but their prominence is on the decline thanks to new companies entering the market. The rest of the market is dominated by smaller companies.

PwC concludes: "A combination of this largely untapped potential and high GDP growth, fuelled by EU and foreign private sector investment, offers an extremely favourable platform for the rapid development of the insurance industry."

However, according to Clive Martin, insurance partner at Ernst & Young, the cultural differences between East and West should not be forgotten.

"Many Eastern European states don't have the concept of service ingrained in the way that US and UK businesses tend to. As a result, businesses can't adopt the same mindset to Russia and Eastern Europe as they have elsewhere.

"You can't just parachute people in with a Western mindset and expect them to flourish, you need to understand the particular challenges of the region," says Martin.

the report. Moreover, Austria's non-life market is the least concentrated and the most diverse in the region. Motor, personal accident and healthcare, and property account for the majority of business, although the report notes that there exists potential for growth in more sophisticated lines.

The report says: "Brokers are becoming increasingly important and their share of the non-life market is expected to continue to increase. Brokers currently account for almost one third of the non-life market and for about three quarters of commercial business."

At the end of 2006, there were 49 non-life insurance companies established in Austria, of which 18 were branches or subsidiaries of foreign companies. According to the report, the top three insurers shared approximately 62% of the market.

And Lloyd's itself is underway with its expansion into Europe, having recently appointed a representative tasked with gaining a licence to trade in Poland. Speaking after Lloyd's released its results earlier this month, chief executive Richard Ward said Portugal, Austria, and the Czech Republic – in addition to Poland – were the key states being targeted by the market.

Bipar's de Maesschalck believes that the established EU insurance markets are not the only ones to provide opportunities. "We see that there are opportunities in any of the states that have recently joined the EU. The intermediaries who initially set up in these states have been an important motor in developing the minds of the consumers to insurance products", he says.

European focus

➔ decided that current legislation in member states does not always provide the customer with the transparent transaction they need.

The European Federation of Insurance Intermediaries (Bipar) represents 80,000 intermediaries through 47 national associations in 30 countries – including Biba in the UK. It works closely with its sister organisation, the World Federation of Insurance Intermediaries (WFII).

Nic de Maesschalck, director of Bipar, says: "We try to argue for a fair regulatory framework in which business can prosper in tandem with the necessary consumer protection."

He adds: " We have found that the exchange of information on markets and EU issues between new and more established EU countries has been highly beneficial to all parties."

Bipar is currently looking at the impact of the IMD and any potential changes to it, among other issues affecting insurance intermediaries. The IMD allows insurance intermediaries, on the basis of their registration in their home member state (in the UK, with the FSA) to do business in other EU member states. "We need a bit of regulatory stability for some years to come," de Maesschalck adds.

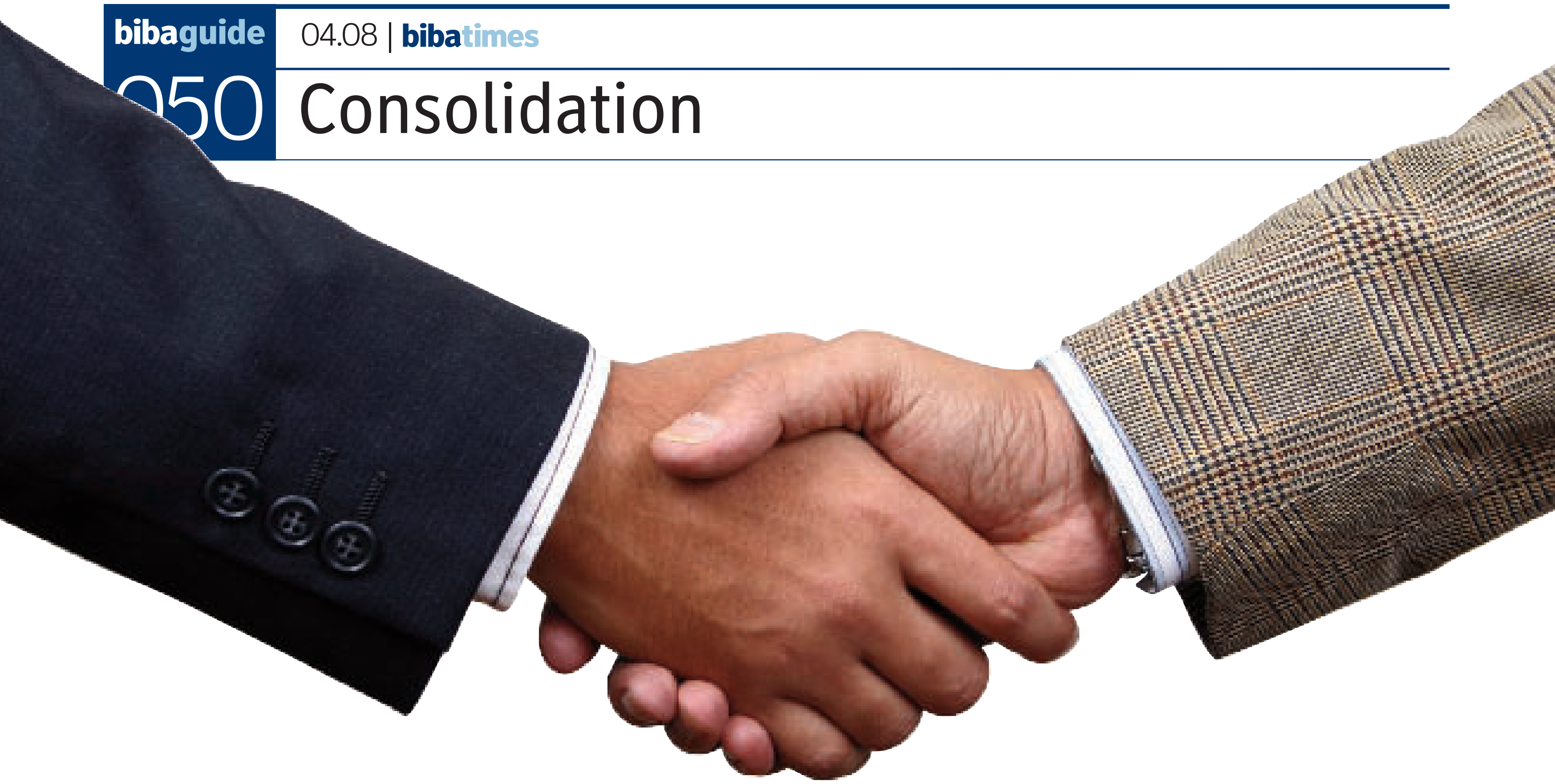
Another recent EU initiative has also helped brokers work across the Continent. The new reinsurance Directive is now in play, allowing businesses to passport both reinsurance and run-off business around the continent more smoothly than before. Since Germany implemented the Directive, Deutsche Rück began the transfer of its run-off business to the UK – the first Germany-to-UK transfer of its kind, and a transfer that would not have been possible without the Directive.

> **" Brokers are becoming increasingly important and their share of the non-life market is expected to continue to increase.**
>
> Lloyd's report on Austria

Opportunities exist for transfers to flow out of the UK as well as mainland European states – and, clearly, experienced brokers are needed for these transfers to run smoothly. Dan Schwarzmann, partner in solutions for discontinued insurance at PricewaterhouseCoopers, predicts that while the UK remains the most likely destination for these transfers for the time being, Germany will soon be snapping at its heels– with Switzerland and France not far behind. And the fact that the European run-off market is expected to grow from its $204bn (£105bn) last year is not something to be sniffed at.

According to ratings agency Standard & Poor's: "Well-established insurance domiciles particularly in Europe (Ireland, Luxembourg, and Switzerland) have significantly enhanced their competitiveness through competitive tax rates and the advent of European passporting. The growth of these domiciles highlight that market access, infrastructure, and talent are also important in choosing locations."

These attempts to liberalise focus the mind on the strict tax regime in the UK, and the havens that Continental Europe has on offer. 2007 was still a good year for brokers, but the favourable conditions seen in the UK last year will not be repeated in 2008 – even in the absence of catastrophes. So as insurers begin to write business with greater caution – and the volume of business is restricted a little – expansion into Europe is one means of keeping profits growing. **IT**



SOLD!

Three broker chiefs took the bold step of selling a part or all of their business. They tell Ben Cook how it felt.

Company **Hyperion**
Buyer **3i**
Deal worth **£50m**

David Howden is chief executive of Hyperion. In April this year, Hyperion sold a minority stake in its business to private equity group 3i for £50m.

Howden formed Hyperion in 1994 – the company now has offices in 17 countries around the world, including Europe, India, Australia and the Americas. Hyperion sought the investment from 3i to expand the company.

"We needed capital to help us grow the business," Howden says. "We're entrepreneurial and we wanted to encourage the local managing directors [in the branch offices around the world] to seek out opportunities – we want to focus on developing territories through organic growth by getting teams on board."

Howden adds that Hyperion was looking for an investor with an international presence that would have a long term commitment to the broker's business. "We needed to find someone who shared our values – someone who would be with us for a long period and who would help us develop internationally, so we needed someone with a global network," he says.

Howden was impressed that 3i, unlike some of the other potential investors, showed an interest in Hyperion's plans to expand its business. "Many of the venture capitalists I spoke to asked me what was my exit strategy, but 3i wanted to know what was my growth strategy," he says.

The process of securing the investment from 3i took around seven months. Howden says: "The first thing was to get a top-level view of whether we would make good partners – we developed a five-year business plan, they got to know us, they met our people around the world and carried out extensive due diligence."

In Howden's view, other brokers seeking similar investment should be clear about why they need the cash injection and choose an investor with similar objectives. Howden says: "It's important to understand why you want the investment and to remember that. Are you looking to develop and grow or are you looking for an exit strategy? You need to choose your partner carefully – it's important to have a shared vision."

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052 Consolidation

Company **Marcus Hearn**
Buyer **CBG Group**
Deal worth **£2.7m**

Jeffrey Klipp is managing director of Marcus Hearn. The London-based broker was acquired by Manchester-based CBG Group for £2.7m in October 2007

The main reason Marcus Hearn was sold to CBG was to allow Michael Green to retire. He was the company's majority shareholder with a 70% stake. However, Jeffrey Klipp says that, in addition, the sale would enable Marcus Hearn to develop its business. "With the backing of a large broker, we would be able to take the business forward and maintain the level of service we had been able to provide to our clients."

Marcus Hearn appointed an agent, Resolution Partners, to conduct the sale. "We drew up the sale documentation and circulated it to a number of organisations," Klipp says. "A dozen showed interest and we had a meeting with each one – we invited offers from eight or nine brokers."

Klipp adds that Marcus Hearn wanted to ensure the deal minimised the disruption to the day-to-day running of the company. "When we sat down with the parties, one of the main criteria was the security of the staff and directors – ideally with everyone remaining in situ," he says.

Klipp continues: "One of the main reasons we decided on CBG was that it was a broker without a London office that would use Marcus Hearn as a hub for expansion in the South – an added benefit was that they were exceptionally nice people."

The process of selling the business presented a number of challenges, according to Klipp. "It was hard work collating information, and it was not easy agreeing the sale and purchase agreements," he says.

The procedure took 10 months to complete. "The decision to sell was made in December 2006, and the paperwork was sent out three months later. We met the interested parties in May 2007 and made a decision on CBG in June 2007. We completed on 5 October 2007."

Klipp says very little has changed at Marcus Hearn since the sale, apart from the governance associated with being part of a public company, such as the way accounts are prepared.

Klipp advises other brokers who are thinking of selling their business to make sure they are satisfied with the company that is making the purchase. "Money is important, but it isn't everything. It's important the staff and directors are happy with the new owner."

> **"Money is important, but it isn't everything. It's important the staff and directors are happy with the new owner.**
>
> Jeffrey Klipp
> Marcus Hearn

Company **Tett Hamilton**
Buyer **Oval**
Deal worth **£2.6m**

Andrew Tett is managing director of Tett Hamilton. The Somerset-based broker, which had a turnover of £2.6m, was sold to Oval in December 2007

According to Andrew Tett, a number of factors made him decide to sell the business to Oval, including the fact that the company's senior staff were getting older.

"First, it was due to the age of the principals. I'm 58, so it was something we would have had to do at some point. Also, the market had changed, brokers were consolidating and getting bigger," he says.

Tett adds that, as a result, there was a feeling that Tett Hamilton needed to be part of a bigger organisation. In addition, the market price of the company was better than it had ever been.

Around a year ago, Tett Hamilton received approaches from a range of potential buyers. The company was in talks with, among others, AXA and Smart & Cook, later bought by AXA. Tett Hamilton had serious offers from three potential buyers, according to Tett. Each buyer was offering a similar amount of cash, but money wasn't the ultimate issue, it was more cultural, he says.

"Oval more closely represented what we were. They felt the same way about clients – and their local presence was strong," he says. "They mirrored what we were, though it [the decision about the offers] was a close call."

Selling the business was time-consuming, with the deal taking around 12 months to complete. Tett says: "Although we were warned that the time commitment would be huge, there was a huge amount of information to process during due diligence."

How has Tett Hamilton been affected by the sale? "We have been left to run more or less as a separate branch with little interference from outside – although, understandably with a larger firm, there is a greater necessity to report figures than before," Tett says.

He adds: "Being part of a bigger organisation, we're able to cross-pollinate ideas, they [Oval] also have facilities and policies we didn't have that we have used to our clients benefit as well as our own. They also have the ability to negotiate schemes we wouldn't have been able to as a smaller broker."

And what advice would he give to other brokers considering the sale of their business? "It's very important to make sure the culture [of the buyer] fits – staff sometimes find it difficult if they don't like to work for a larger organisation."

> **"We have been left to run more or less as a separate branch with little interference from outside.**
>
> Andrew Tett
> Tett Hamilton

WET WET WET

Last summer's floods gave brokers and insurers a glimpse of the future. Tom Flack asks whether the industry is ready.

The flood waters that rose to almost Biblical proportions in the streets of Gloucester and Hull last year may have receded, but the issue of flooding remains among the most topical and damaging – politically and economically – for the general insurance sector.

In response to the cataclysmic events that led to over 180,000 claims worth in the region of £3bn, the government launched its independent (and now infamous) inquiry, the Pitt Review. Though it is not due to report until the summer, its interim report in December ran to a colossal 160 pages, emphasising the scope of the problem and the tough decisions that lie ahead for the state and the insurance industry.

There are three key questions that are posed over the floods. First, did the industry handle claims as well as it could have? Second, what steps must the sector and the state take to guard against and manage such incidents in the future? Third, is there a sustainable future for the provision of flood-related insurance?

No one disputes that the industry was stretched to its limits during the floods, but Phil McNeilage, chief executive of Cunningham Lindsey UK – and leader of this year's Biba seminar on flooding, emphasises that the event must be seen in context. "We had two 1 in 50 year events in four weeks," he says. "Is it any surprise that our systems were overwhelmed? We must accept that scale had a lot to do with it."

Recently it was revealed that the authorities →

056 Flooding

> **"The Enivronment Agency has a huge responsibility in terms of who gets flooded.**
>
> Phil McNeilage
> Cunningham Lindsey UK

→ were investigatng 100 cases of cowboy builders who work as subcontractors for insurers in flood-related claims. In response to such allegations, McNeilage stresses: "The system didn't fall over. We had 25,000 claims at Cunningham Lindsey alone, but we got 90% of policyholders back in their homes by the end of March."

He adds: "The situation was a bit like an A&E ward. There is always someone who needs to be served first. Unfortunately, insurers can't ask policyholders to book claims in advance. Local authorities couldn't cope with the clean-up. The emergency services couldn't cope with the clean-up. Is it a surprise that building repairers, including the insurer supply chain, remains stretched?"

McNeilage adds that even now the craftsmen are working to capacity and materials are in high demand. Like his industry peers, he argues that local authorities have an enormous role to play, but says that this service needs to be, and is being, realigned.

"Insurers have been given cause to reflect on the wisdom of a purchasing strategy of services that are delivered separately to policyholders, provided each component is delivered well. But what happens in the event of a disaster?"

Another need that has been demonstrated is that for strong technical underwriting, McNeilage says. "There is a need for timely and accurate data for underwriters. That helps to manage expectations for both brokers and policyholders."

Alan Gairns
Lessons learned

1 **The insurance industry handled the floods magnificently. Of course, there have been a few issues and complaints, but we dealt with claims volumes approaching 200,000.**

2 **Drainage is a big issue. We can't suddenly dig up every sewer, but we need to find a way to stop our drainage systems being overloaded.**

3 **The flooding issue is still huge, despite all the work that has taken place on flood management programmes since 2000. The £800m announced by the government for flood spending should be increased.**

4 **Climate change. Floods and storms used to be an October - March issue. Now they appear anytime of the year. Monsoon rainfall is becoming more common. Boscastle, Carlisle, North Yorkshire (2005) and the events in June and July last year all had torrential rainfall in a short period. We still have our river and coastal flood problems, but now also have the issue of how we manage the intensity of rainfall.**

5 **Flooding has not affected the market capacity and availability of reinsurance; £3bn is a big figure, but manageable when put in the context of the bigger industry picture**

What should the government do?

1 **Don't build in flood plains. Why do we allow new developments to go ahead on floodplains? We keep hearing that these developments can be protected, but surely the water has to go somewhere – it just passes the risk somewhere else.**

2 **Stop the automatic right to connect new developments into the drainage network until a flood risk assessment has been carried out on risks to both new and existing developments.**

3 **Closer collaboration between all stakeholders on both flood management and data sharing.**

4 **The Ulley reservoir incident where cracks in the dam wall threatened a flooding catastrophe, brought home that there is not enough known about dams. Until now the Environment Agency has been unwilling to share information on dams. If a dam bursts there is no document to say where the water will go, for the emergency services to understand what is in its path, and therefore what needs to be evacuated. Even new development can and are being built right up against dams.**

● **Alan Gairns is RSA technical manager for property underwriting. He represents both RSA and the industry on a number of flood-related working parties.**

At the same time, however, there has been a recognition that, due to excesses of surface water, flooding can occur away from rivers and flood plains. "There are some things you cannot underwrite," he says.

Indeed, this is a key consideration in the flooding debate. In the aftermath of the floods, the vast majority of criticism – and the calls for action that resulted – sprang from the inadequacy of the country's flood defence network, and need for the government to up its spending on defence to £1bn a year. But, in the wake of the report into the Hull flooding in the autumn, and the interim findings of the Pitt review, that focus has shifted increasingly toward drainage, and in some cases the water companies that have responsibility for them.

"There is an appetite for insurers to take action against water companies," says McNeilage.

"The Enivronment Agency has a huge responsibility in terms of who gets flooded. While we need to see evidence of physical measures taken, the case for improvement in flood defences has been irrefutably made."

David Crichton, visiting professor at the Benfield Hazard Research Centre, adds: "Even the ABI appears to be distancing itself from its former preoccupation with concrete." This follows comments made by ABI director of communications Alan Leaman last month when he told the Scottish Parliament it was a myth that insurers are just interested in concrete flood defences.

Crichton points out that countries that have →

Percentage of all new homes built in flood risk areas

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*
London	27	25	26	24	23	20	21	28	26	18
Yorkshire/Humberside	11	12	7	10	13	12	11	15	10	13
East Midlands	10	12	6	7	9	11	13	13	11	9
South East	6	8	9	10	9	10	8	10	7	7
England	9	9	9	9	9	9	10	11	10	9

* Provisional figures

Source: Land Use Change Statistics, Dept of Communities and Local Government, 2007


Challenge yourself
CATLIN
Challenge your colleagues

Flooding

→ previously focused on flood defences such as concrete walls or dams (the largest three being the US, Japan and Holland) have scaled back their efforts because they are not cost effective in a time of climate change. Instead, they have switched to flood plain restoration policies. In the UK, both flood defence management and dams remain a contentious issue (see boxes).

All of which puts pressure on the Statement of Principles, a five-year-old agreement between insurers and the government guaranteeing the provision of flood cover for existing domestic buildings on flood plains provided the government continues to invest in its flood defence programme. However, in light of the fact that England and Turkey are the only countries in Europe which still allow building on floodplains, and the government's previous reluctance to revise its budget, the agreement is under review and is likely to change.

With the government planning to build one million homes on flood plains, there are urgent discussions to be had.

Business continuity

As for commercial properties, while the focus in the media has been on the plight of homeowners the threat posed to business, especially at the smaller end, has gained ground in recent months. On this point, however, McNeilage is emphatic. "All businesses should have adequate business continuity plans, including flood. But what matters most is the business is managed well in the first place. Too many plans are untested."

While it is clear that there are a wide range of issues on the flooding agenda, there is one point on which all stakeholders and experts are unanimous: the need for a stronger dialogue between insurers, local authorities and the EA, and the streamlining of the responsibility for flood management, geared toward the latter.

Crichton says this dialogue has already proved successful in Scotland in persuading local authorities to stop building on flood plains, and claims many insurers have reduced their rates in Scotland as a result. With there being little sign of similar behaviour in England (recent reports claimed that 100 homeowners in Hull saw their flood excess raised to £10,000) there is a danger that flood insurance in England will become prohibitively expensive, or be withdrawn altogether. Another bout of summer flooding will doubtless force the issue to a sudden conclusion. **IT**

Phil McNeilage: Flooding – the aftermath, Friday 1030am.

David Crichton

Lessons learned from the summer's floods

1 There were 180,000 flood claims from the summer 2007 floods and while insurers did a good job in general there are indications that fraud and looting were serious problems, as well as shoddy workmanship by repair companies.

2 Surface water flooding can happen anywhere, especially in urban areas. However, Hull demonstrated clearly that underwriters can identify high risk locations where:

- Gardens have been paved over with impermeable concrete or grouted paving slabs for car parking.
- Surface water drains through undersized gully pots, which are not regularly cleaned.
- Streets have trees or grass verges where grass cuttings and leaves can block gully pots.

3 Mid-summer is a particularly vulnerable time of year for surface water flooding in England because watercourses are clogged by vegetation. Underwriters can identify high risk locations where watercourses are not cleared of vegetation every spring. There is no statutory duty to do this in England.

4 Certain regions of England are particularly exposed to surface water flooding, because of the amount of building on the flood plain or other high risk locations. Scotland stopped building on flood plains in 1994, except in Moray. Wales stopped in 2004.

5 Reservoir safety is a serious problem because our reservoirs are over 110 years old on average and many are inadequately maintained. Large reservoirs only have to be inspected every 10 years and safety recommendations do not have to be implemented. There are over 2,000 large raised reservoirs in England alone, but the risks are shrouded in secrecy. Underwriters should be preparing for the imminent publication of details of areas at risk from dam breaks as required by the new corporate manslaughter legislation.

> **"There are over 2,000 large raised reservoirs in England alone, but the risks are shrouded in secrecy.**
>
> David Crichton
> Hazard Research Centre

What should insurers do?

1 Insurers and brokers need to take firmer action to discourage flood plain development using the pricing mechanism, and educating planners and councillors in those areas which are the worst culprits.

2 Use premium incentives to promote resilient reinstatement after a flood or storm and to encourage the deployment of suitable temporary flood defence systems.

3 Use data from the national flood insurance claims database (the biggest such database in the world) to ensure that the premium rates are adequate, claims settlements are audited, and to put pressure on government for tougher building regulations in England. Small changes are required to building regulations and the way architects are trained.

4 Insurers and brokers need to develop their knowledge and understanding of issues like sustainable drainage systems, natural flood management, and climate change.

5 Obtain economies of scale from a more rational use of damage repair specialist companies.

6 Insurers and brokers could do more to encourage the promotion of insurance with rent schemes. In the UK, more than 90% of owner-occupier households have insurance because this is a requirement to obtain a mortgage. However the majority of tenants in rented property do not have contents insurance. The concern must be that as insurance becomes harder to find in flood risk areas these areas will increasingly be used for social rented housing, schools, hospitals and small businesses.

7 Promote the establishment of flood liaison and advice groups in England and Wales along the lines of those which have been operating successfully in Scotland.

8 Reconsider the use of the Faster system to speed up claims handling and reduce claims fraud especially for major flood and storm events. Telephone helplines should also be used more pro-actively to provide flood warnings and advice.

● **David Crichton is visiting professor at the Benfield UCL Hazard Research Centre.**