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British Insurance Brokers' Association

# The Broker

## View from across the pond

Looking into the  
US insurance market

## Lessons in liability

Expertise abounds  
at round table

## Positioned for economic recovery

Brokers explain  
their strategies

## Industry guidance

Now the market must  
take up the baton

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Insurers are shedding jobs. Fraudulent claims are rising. Premium income is reducing. No broker needs reminding that the economy is in recession, but it is certainly not all doom and gloom – indeed, some brokers are seeing opportunity in these challenging times.

However, no-one is pretending it is easy. Research by BIBA has shown that both consumers and businesses have cut back on their insurance cover as a means of saving money – placing them at considerable financial risk. The fact that both personal and commercial lines have been affected shows the depth of the downturn and also puts brokers in an unenviable position. Many do not want to sell purely on price and beyond this, they know that reducing cover could leave some seriously exposed.

### Reductions

In the commercial sector, the results showed that more than half of the BIBA brokers surveyed had seen business customers reduce their level of insurance protection in the economic downturn.

Of the brokers that have seen a reduction in levels of commercial cover, 45 per cent have seen clients reduce cover or take on more risk themselves. When asked which classes of insurance are most affected, three were most frequently given:

- 20 per cent said that commercial combined is one of the most affected classes
- 20 per cent said that commercial liability is one of the most affected classes
- 14 per cent said that all classes are affected.

Looking at personal lines, more than a fifth of brokers surveyed had seen their personal customers reduce their level of insurance protection during the recession. When asked which classes of personal lines insurance are most affected, 96 per cent said motor or home. Examples included:

- 29 per cent of respondents have seen a reduction in non-essential cover and ‘add-ons’ for personal lines business
- 16 per cent of respondents had seen personal lines clients reducing sums insured
- 16 per cent of respondents have seen personal lines clients increase their excesses.

According to BIBA's Chief Executive, Eric Galbraith: “This downturn generates an increased focus on cost and brokers should demonstrate the value that they add to clients. We are continuing to promote the benefits of brokers and are warning consumers about the dangers of reducing cover without guidance from a broker.”

# Thriving through the downturn

Trading times are tough, but plenty of brokers are poised to come out of this recession in a stronger position providing they can take advantage of opportunities and effectively manage their businesses, says **Rachel Gordon**

### Pragmatism

However, if there is one thing that sets many brokers apart from other sectors, it is their pragmatism and ability to search out opportunities.

Andy Hawkes is Director of THB Risk Solutions, a division of broker THB, which offers specialist services, such as fully risk-managed insurance propositions for sectors such as motor trade and fleet driver training. He says the times have never been more appropriate for brokers to take a more consultative approach with their clients and to focus far more on risk management guidance.

“This division we run is growing and we are doing over £6 million a year in risk management services. But what staggers me is that most of this comes to us direct from companies, probably as little as 10 per cent comes from broker recommendations and this has to be a concern.”

Andy says many intermediaries bypass the subject of risk management. “Clients want to save money – and I understand how tough things are – but brokers are not spending enough time finding out about their clients’ businesses and unless they do this, they cannot find ways to save money, let alone offer professional advice.”

He adds that risk management guidance

“This division we run is growing and we are doing over £6 million a year in risk management services”

Andy Hawkes, Director, THB Risk Solutions



## Ways brokers can work smarter

- Now is the time for strategic planning – keep your business model under constant review, be prepared to be agile and give your most important customers extra care
- Consider reducing fixed costs through outsourcing
- Train for the future – the Learning and Skills Council says one in five firms are hiring more apprentices
- Invest in brand building – this is an area still neglected by many other brokers. Terms with local PR, marketing and web design agencies are particularly keen in this market so brokers should negotiate for good deals
- Be open to ideas – there is more support for independent brokers than ever before

McLaren-Stewart recently set up BrightStar Risk Solutions. He comments: “The large consolidators will be finding it hard, they are likely to have heavy debts and cost bases and insurers are shifting away from paying big commissions. And customers are wanting more for less.”

He says too many brokers have focused on acquisitions, rather than building their brands and focusing on service and that the consolidators have failed to win over their customers with a strong brand message.

### Profile

He believes that smaller brokers should, where possible, now be looking to increase their profile, and establish a position of trust with consumers. BrightStar will seek to differentiate itself through sponsorship of events, will be running a client social network, is producing a corporate video to appear on YouTube and its website and is also working with a PR agency.

All of these can be achieved at relatively low cost and brokers should be able to negotiate hard with local suppliers if they want to increase local – and wider – brand awareness.

Clive Galbraith, Managing Director of broker Green Insurance, has worked in the sector for more than 20 years and says some clients have been hit far harder than others. “Motor traders are struggling as are some property companies – it helps if you have a good spread of business and we’ve always been a lean operation in terms of staff and are holding up well.”

He continues: “Some clients are looking at costs and many see insurance as a distress purchase in any case. We make sure we explain what the consequences could be of cutting back and beyond this, make sure we run a tight ship. That means being careful with credit we provide.” However, he says Green is planning further expansion – the firm has made a number of acquisitions in recent years and he adds further deals are in the pipeline.

Neil Grimshaw, who runs Ravenhall Risk Solutions, and is winner of this year’s BIBA Young Broker of the Year award, says he has no room for pessimists. “I set up my business two years ago, when conditions were little better. From having no agencies, I now have insurers and networks knocking on my door. I don’t see any point in worrying about recessions.

“If you’re a good broker, you should be able to spot opportunities – for example, we run schemes for riding stables and travel for pregnant women – both these areas were underserved. You need to think where people are going to need advice – that is what we have to be good at so that we create a sustainable business which can survive any conditions.”

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John McLaren-Stewart,  
Director,  
Bright Star  
Risk Solutions



should also be viewed as a necessity from a duty of care perspective. Prosecutions are already occurring as a result of the Corporate Manslaughter Act 2007, most recently when Cotswold Geotechnical Holdings was accused of the death of employee Alexander Wright, who was killed when a pit collapsed last September. The company’s director, Peter Eaton, is currently facing charges and, if convicted, could be jailed for life with his firm hit with an unlimited fine.

Andy says: “We may be in a recession, but spending more time with clients, talking to them about relevant legal and health and safety issues is non-cyclical.”

In the coming months, THB is going to be running one-day courses in basic risk management and core corporate legislation guidance for brokers. “We provide more advanced services and if brokers recommend these, then we pay them a referral fee, which can be a useful source of income. But these courses, which are going to be low cost, are primarily about ensuring brokers are able to talk to clients more knowledgeably and therefore provide better service.”

Smaller brokers in particular may be able to take advantage of the current climate. John