



British  
Insurance  
Brokers'  
Association

[biba.org.uk](http://biba.org.uk)

# 2021

# Manifesto Resilience

**Viewpoints**

**“ The UK’s insurance industry has a reputation as a global leader and plays a crucial role in strengthening the resilience of individuals and businesses.**

**Insurance brokers play a vital role in this. By helping people find the insurance they need, from terrorism insurance for businesses to travel insurance for individual consumers with serious medical conditions, brokers help strengthen the resilience of the United Kingdom.**

**Just last year brokers arranged £65.1bn of insurance, making a significant contribution to the economy as they help their customers manage risk and create new opportunities. This work will continue to be important, particularly as we begin to recover from the Covid-19 pandemic.”**

**John Glen MP**

Economic Secretary to the Treasury

**“ In the time of Covid insurance brokers have never been more relevant, helping customers navigate the prevailing marketplace to build resilience.”**

**Jonathan Evans**

BIBA Chair



## About brokers

# Insurance brokers providing resilience

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When the insurance market is challenging, and some policy covers are hard to come by or are expensive, having an insurance broker on side is even more important than ever.

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Insurance brokers seek to understand the needs of their customers and are trusted advisers. They help customers to recognise their exposure to risk and the associated financial losses that insurance could mitigate. They help protect people and businesses against unforeseen financial shocks by arranging the insurance cover needed to manage that risk, preserving assets and jobs. They can also assist if the worst happens and their customer needs to make a claim on their policy.

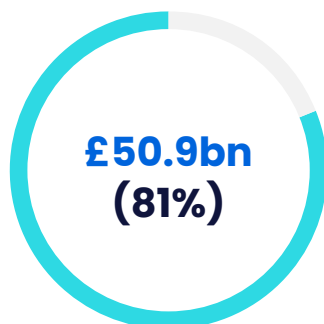
In 2020 the Covid-19 pandemic highlighted the need for resilience and showed how those that could least afford a financial shock were worst affected. Improving access to insurance can improve resilience.

Brokers help stimulate a competitive market through negotiating wider and innovative cover with insurance providers that responds to the changing nature of the risks faced by their customers.

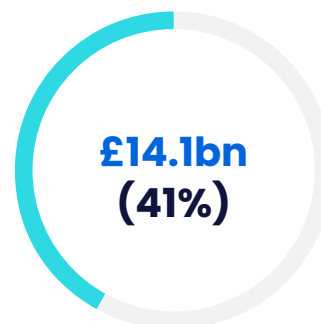
Insurance brokers in the UK are regulated by the Financial Conduct Authority (FCA) and act as their customers' agent, putting their best interests first. Insurance brokers typically work with a range of insurance companies when finding solutions that suit the needs of their customers.

## Statistics

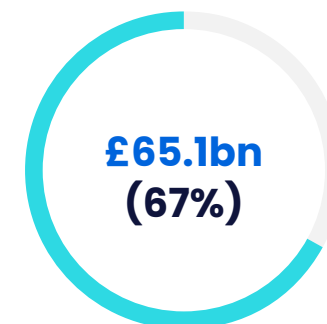
**Total UK market statistics<sup>1</sup> written through insurance brokers**  
**Including marine, aviation, transport, reinsurance, 'home-foreign',<sup>2</sup>**  
**Lloyd's and non-ABI members (excludes life insurance and IPT)**



Commercial premium

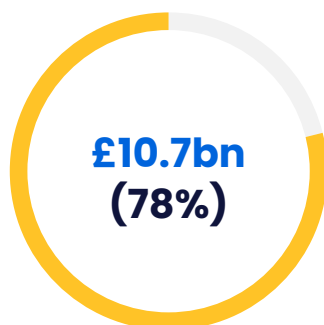
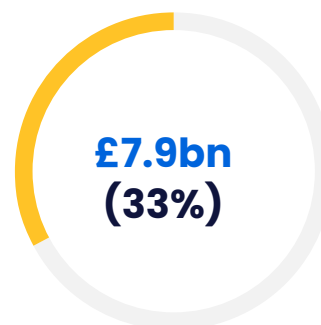
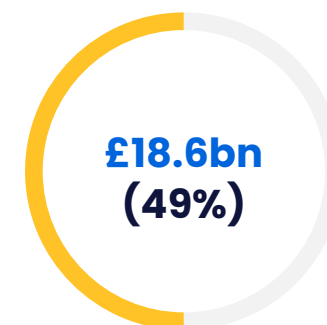


Domestic premium



Total premium

**Premiums placed through insurance brokers**  
**Excluding marine, aviation and transport business (excludes life insurance and IPT)**

Total commercial  
insurance premiumTotal personal lines  
insurance premium

Total premium

<sup>1</sup> Approximate figures Association of British Insurers (ABI) and BIBA – all figures in gross written premium.

<sup>2</sup> Home Foreign – insurance written in one country on property or risks located in another country. Premiums and losses are usually payable in the country where the insurance is written.

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# 1

# Insurance brokers – providing resilience with suitable insurance

Insurance can be complex, and BIBA works with many stakeholders to help businesses and individuals access and understand the different insurance covers they need.

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## In this section



Helping everyone to  
find the right insurance



# 1.1

## Signposting – helping consumers access insurance

For many different reasons some people can find accessing insurance a challenge. BIBA and its members work with Government departments, trade bodies, charities, the media and insurance companies to help consumers navigate their way to suitable insurance protection to make them more resilient to financial shocks.

BIBA thinks signposting can aid a great deal in helping customers to access insurance. Signposting occurs when insurance firms point customers they are unable to assist to firms such as a specialist broker that can help. If firms are unaware of a specialist in any class of insurance, they can signpost to BIBA which will put the customer in contact with a specialist.

Signposting people to a specialist broker could also aid financial inclusion, enabling many who need it most to find the essential cover they need.

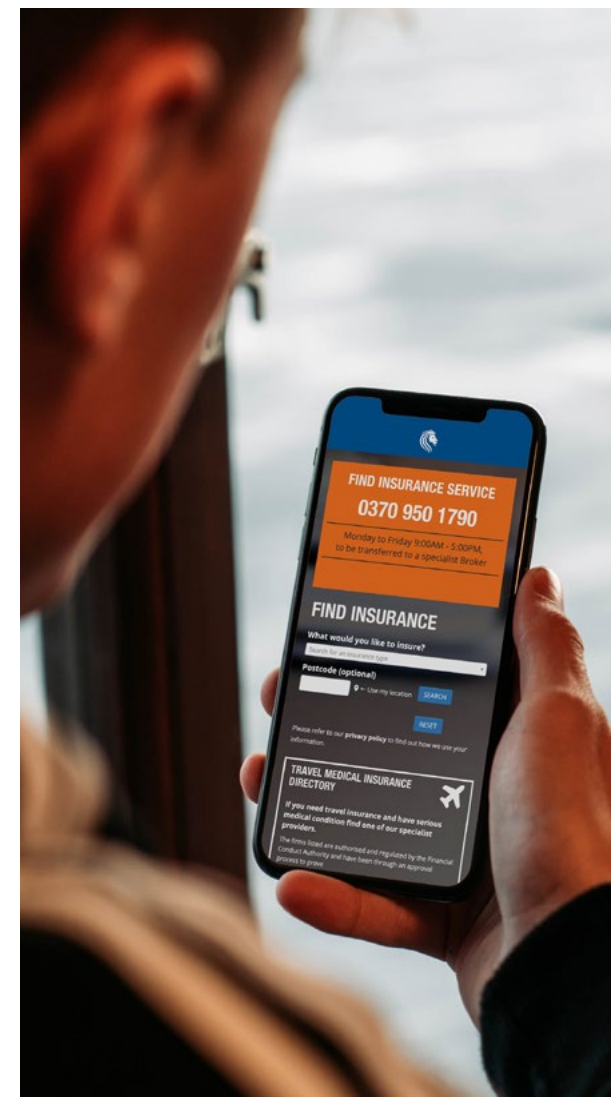
### In Brief



There are specialist brokers who can assist customers that represent both straightforward and the most challenging of risk profiles. BIBA urges market participants to embed signposting into their everyday business as usual approach.

BIBA is also working with Government to create myth-busting guidance for landlords around letting properties to tenants on benefits which will include a section about landlord's insurance. BIBA has a multi-sector Access to Insurance committee which oversees several BIBA workstreams focused on helping people obtain suitable insurance cover including:

1. the management and promotion of
  - BIBA's Travel Medical Insurance Directory which meets the FCA criteria for a 'medical cover firm directory';
  - the BIBA/ABI Signposting Agreement on Age and Insurance; and
  - Signposting Agreement on Protection Insurance.
2. launching a new joint signposting agreement on flood insurance with the ABI.





## In Brief



BIBA will work with the ABI and Flood Re to implement the signposting recommendations from the report of the Independent Review of Flood Insurance in Doncaster.

BIBA supports the proposed amendments to the Flood Re scheme and the DEFRA Property Flood Resilience Roundtable (PFR) Code of Practice and is encouraging all stakeholders to build back better to make homes more resilient to future flooding, and calls on Government to accelerate investment in further flood defence.

# 1.2 Flood insurance

BIBA has highlighted previously the need for a greater number of brokers to have access to Flood Re<sup>3</sup> for their customers. Solutions need to be put in place for signposting customers, greater access to Flood Re, flood defences and the launch of flood resilience accreditation schemes.

The current limited availability of Flood Re-enabled products from some software houses and insurance companies continues to be a barrier to accessing flood insurance. The report on the independent review of flood insurance, led by Amanda Blanc following the 2019 floods in Doncaster, recommended that Flood Re, BIBA and the ABI should establish a new signposting service. This aims to enable any household that is eligible for Flood Re but denied cover with an insurance company because of flood risk, or offered insurance only with a flood exclusion, to be referred to a specialist broker who can help them secure affordable, exemption-free cover. BIBA, through its experience with other signposting agreements, has demonstrated that insurance signposting is a proven means of improving consumer access to insurance and looks forward to working with the ABI and Flood Re to create a similar agreement for flood risks. BIBA members already have the ability to place flood risks via scheme arrangements for commercial property and for distressed household risks.

BIBA welcomes Government's commitment published in the DEFRA<sup>4</sup> FCERM<sup>5</sup> Policy Statement, which aims to create a

nation more resilient to future flood and coastal erosion risk from 2021. This includes investing £5.2bn in a six-year capital investment programme for flood and coastal erosion risk management to build over 2,000 new flood defences to better protect 336,000 properties, including 290,000 homes, from flooding and coastal erosion by 2027. In addition, up to £170m will be spent to accelerate the building of 22 flood schemes that will begin construction by 2022 as well as £200m to be invested in the

**Flood and Coastal Resilience Innovation Programme.**

In addition, the **Code of Practice and Guidance** produced by the PFR Roundtable is expected to lead to accredited providers that can help property owners and tenants install flood resilient measures that perform to a high standard.

The Environment Agency's Draft National Flood Strategy for England states that for every £1 spent on protecting communities from flood, around £9 in property damage is avoided. BIBA therefore encourages Government to press on with these commitments as quickly as possible (ahead of 2027) and to consider further investments as necessary following recent severe flooding in the UK.

<sup>3</sup> A joint initiative between Government and insurance companies that aims to make the flood cover part of household insurance policies more affordable for their customers

<sup>4</sup> Department for Environment, Food and Rural Affairs

<sup>5</sup> Flood and Coastal Erosion Risk Management



# 1.3

## Cyber insurance

Now more than ever, it is essential for businesses to have suitable cyber protection insurance.

The DCMS<sup>6</sup> Cyber Security Breaches Survey 2020 suggests that around three in ten businesses (32%) and as many charities (30%) report being insured against cyber risks in some way. However, as the diagram shows, across all size bands this is more likely to be through a broader insurance policy, rather than one that is cyber-specific and BIBA encourages consideration of the more cyber-specific insurance policy. Many SMEs are reluctant to buy cyber insurance, believing they are not at risk; but CFC, BIBA’s cyber insurance scheme provider, highlights on the next page the risks some companies face.



<sup>6</sup> Department for Digital, Culture, Media and Sport

**Bases** 1,348 UK businesses; 642 micro firms; 277 small firms; 216 medium firms; 213 large firms; 337 charities. New question for 2020. Thanks to DCMS for allowing reproduction of this graphic from the Cyber Security Breaches Survey

## Common cyber risks for SMEs

### Operating without access to computer systems or data?

CFC has seen clients whose systems are down for 2–3 days at best, and up to weeks or months at worst.

### Remote workers?

Logging in from other networks can pose a risk – remote desktop protocols are particularly susceptible to attack. Employees may also lose devices containing data.

### Mistakes happen

The vast majority of cyber incidents involve some kind of human error or oversight.

### Did you know?

Cyber crime, such as wire transfer fraud, is CFC's largest source of claims activity by frequency.

Businesses are still liable for notifying customers of a data breach, even if an IT supplier suffered the attack.

**Courtesy CFC Underwriting**

Good cyber insurance covers the losses relating to damage to, or loss of information from IT systems and networks and includes significant assistance with, and management of, a cyber-attack. Cover that can be considered includes;

- ransom;
- cyber-crime or 'phishing';
- restitution of IT systems and data;
- costs to notify customers of an attack and loss of their personal data;
- liabilities to third parties following loss of their data.

Policies can also cover business interruption losses that might flow from a cyber-attack. For example, from a production line that is halted because of compromised systems.

BIBA actively engages with Government and insurance providers to help improve firms' resilience to cyber-attacks. Awareness of and access to good cyber cover are key to this, as is dispelling the myth that 'it is never going to happen to me.' To illustrate, CFC has paid more than 2,000 cyber claims in 2020, witnessing a spike in criminal ransomware hitting UK firms. In 2021 BIBA expects to bring members news of services for the early detection of malware and ransomware. As trusted advisers, brokers can be pivotal in helping clients find the means to protect themselves from cyber-attack.

## In Brief



BIBA will work with the National Cyber Security Centre and business representative bodies to help improve cyber protection for UK businesses. BIBA will also work with stakeholders to encourage SMEs to buy suitable cyber cover, through promotion and publication of guides.

# 1.4

## Ensuring the right balance

The pandemic and the resultant hit to the economy has forced businesses to look at every cost to make savings. Insurance is no exception. BIBA is concerned that vital protection could be sacrificed for relatively small premium savings making businesses more exposed to future losses. To this end BIBA collaborated with the CBI<sup>7</sup> and the ABI to produce a **Guide for SMEs** on the insurances they need and why a business should think about engaging a broker to help them make informed insurance choices. At the same time, BIBA is concerned about the growing trend of underinsurance.

Research by Aviva indicates that the last time an SME undertook an insurance valuation is on average two and a half years ago. Allianz also found that their own *internal data*, along with feedback from their loss adjusters, indicates that a large proportion of policyholders are underinsured. Unfortunately, the reality of the situation is that the Covid-19 crisis, along with Brexit and the subsequent change in the dynamics of the UK's economy will exacerbate this problem for many businesses, leaving them in an extremely precarious position should the worst happen.

The pandemic also meant that many businesses had to rethink how they operate in a post-Covid world. For example, many were forced to build an online presence to combat a drop in footfall.

Technology helped to achieve this and resulted in changes to the type of cover appropriate. Business interruption insurance based on increased cost of working was, for some, more suitable than covering gross profit. Similarly, cyber threats have overtaken physical threats for a lot of businesses. Aviva's research also indicates that although two thirds of businesses have adapted their business model as a result of lockdown, 90%<sup>8</sup> have not made any changes to their insurance cover. This creates a real risk of claims being reduced or declined if a business fails to notify its insurance provider of its changed business operation. For example, a gin distiller that has diversified into making anti-bacterial gel has a different product liability risk to consider. Similarly, a retailer that has switched to online sales might need a specific cyber policy with appropriate limits and the right support services. Insurance brokers can help such businesses to adapt their insurances accordingly.



**We're committed to working with BIBA to promote the issue and potential implications of underinsurance and ensure the principles and pitfalls are well understood. We need and want our customers to have the protection in place to weather the storms of today and be able to thrive in the future. We urge you all to join the discussion. It's imperative, as an industry, that this issue is one we tackle jointly.**

**Nick Hobbs**

Director of Broker Markets,  
Allianz Insurance plc

### In Brief



Due to the prevailing circumstances of Covid-19 and Brexit, SMEs are currently running a real risk of having insufficient or inappropriate insurance. The role of a broker in helping a business buy appropriate and sufficient insurance has never been more relevant.

BIBA will embark on an SME campaign with Allianz to make this point and at the same time raise awareness around the pitfalls of underinsurance and issue new guidance on how to guard against it.

<sup>7</sup> Confederation of British Industry

<sup>8</sup> Businesses up to £10m turnover

# 2 Resilience to Covid-19

The impact of the Covid-19 pandemic was both unforeseen and unprecedented. BIBA will work through the various resultant challenges it brought to seek solutions.

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## In this section

Overcoming the  
challenges of Covid-19



**Setting the scene**

**“ BIBA members went above and beyond to help their customers face their challenges during the pandemic, and their adaptability and resilience was confirmed in the FCA’s 2020 portfolio letter and survey into firms’ financial resilience and the impact of Covid-19. The survey however revealed that many firms were affected and we call on the FCA to consider the impact of their regulation, bearing in mind more than one in four employees in smaller firms are focused entirely on regulatory matters.”**

**Steve White**

BIBA CEO

**The UK insurance sector expects to pay more than £6.2bn globally in insurance claims as a result of the Covid-19 pandemic. This includes more than £1.8 bn in UK claims via ABI members and Lloyd’s of London. Despite these significant claims payments, it must be remembered that insurance covers unforeseen, fortuitous risks, not events that have, or are extremely likely to happen. Pandemics are usually considered to be a fundamental risk (which are not normally insurable) like nuclear and war. Therefore, BIBA calls on Government to work with us on new shared solutions for the longer term as a key initiative to making businesses more resilient to a future pandemic.**



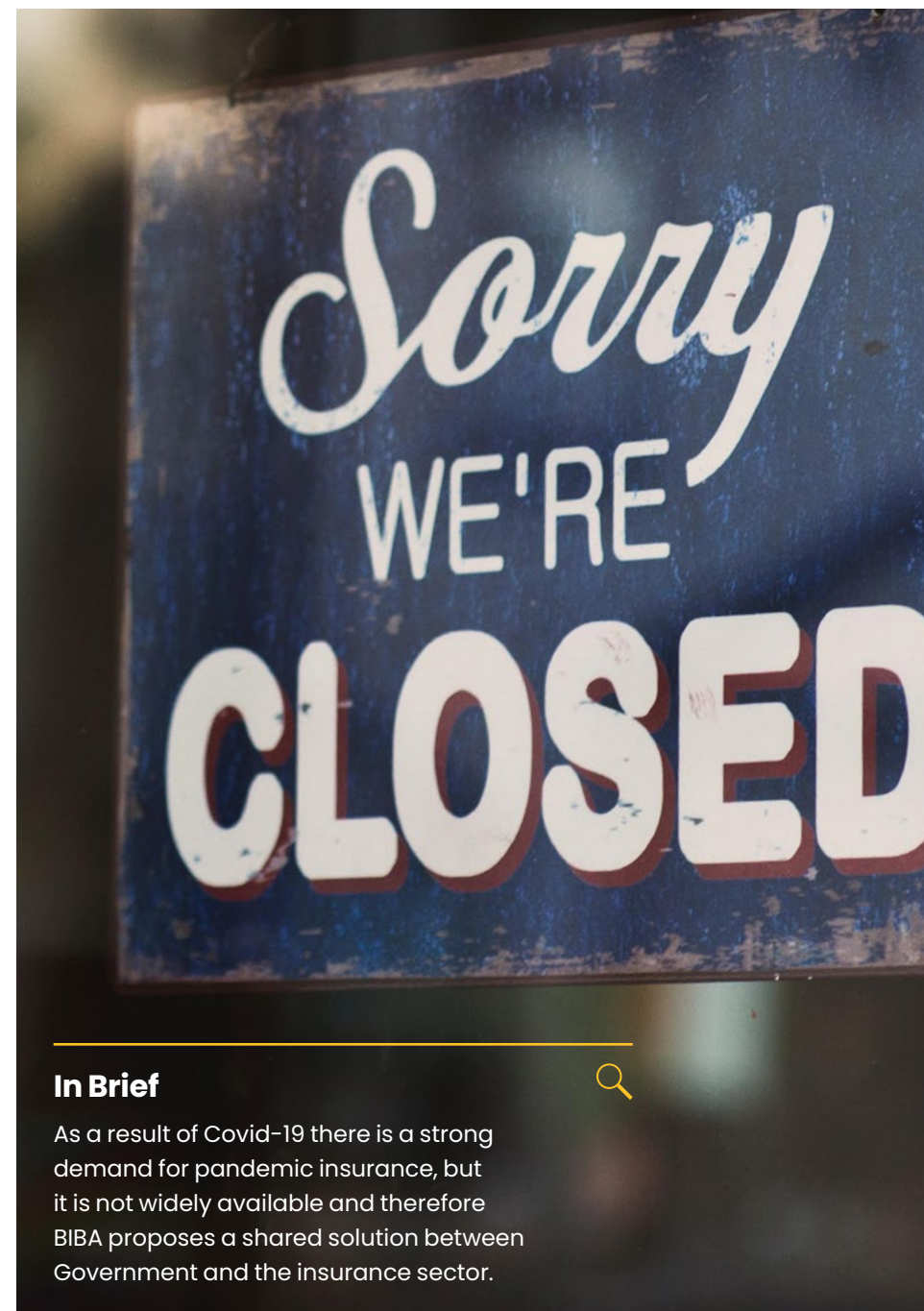
## 2.1 Pandemic reinsurance solution

The UK needs a long-term answer that provides a solution to help businesses and people cope financially with any future pandemic.

BIBA is committed to working across industry and Government to help deliver this. The five-year review of Pool Re<sup>9</sup> is due, which provides an opportunity for Government and the insurance sector to reflect on the new and significant threats beyond terrorism that we will need to work together to combat in the future. A shared pooling solution for terrorism and pandemic risks, backed by Government, is likely to be the best way forward.

BIBA's research with the Federation of Small Businesses has shown that smaller businesses would consider buying pandemic insurance if it were available.

<sup>9</sup> Pool Re was created to provide a pooling solution to enable the UK insurance market to underwrite terrorism risk to commercial property



### In Brief



As a result of Covid-19 there is a strong demand for pandemic insurance, but it is not widely available and therefore BIBA proposes a shared solution between Government and the insurance sector.

## 2.2

# Continuing challenges resulting from Covid-19

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A pandemic is a fundamental risk – one that cannot be easily modelled or capitalised for, which is why such cover has not been made available under most insurance policies. However;

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1. travel insurance often includes medical expenses cover if a policyholder contracts Covid-19 and needs treatment abroad;
2. employers' liability insurance responds to losses caused by Covid-19;
3. bespoke Government solutions on trade credit and the film sector have been created where insurance has not been available, and BIBA urges Government to maintain these schemes until insurance capacity returns; and
4. we welcome Government's intervention on 'designated settings' in care homes but numerous sectors of the economy including more than half a million domiciliary care workers still face challenges in insuring their Covid-19 risks and where insurance is not available may require Government intervention.

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### In Brief



Insuring pandemic risk is difficult, but BIBA will continue to work with stakeholders to find solutions in respect of challenging areas of risk.

In addition, providing excellent service remains a priority for brokers during a period when many in the insurance sector are forced to work from home. BIBA will continue to work with its insurance company partners to help customers receive a business as usual service.

## 2.3

# Clarity on the extent of cover

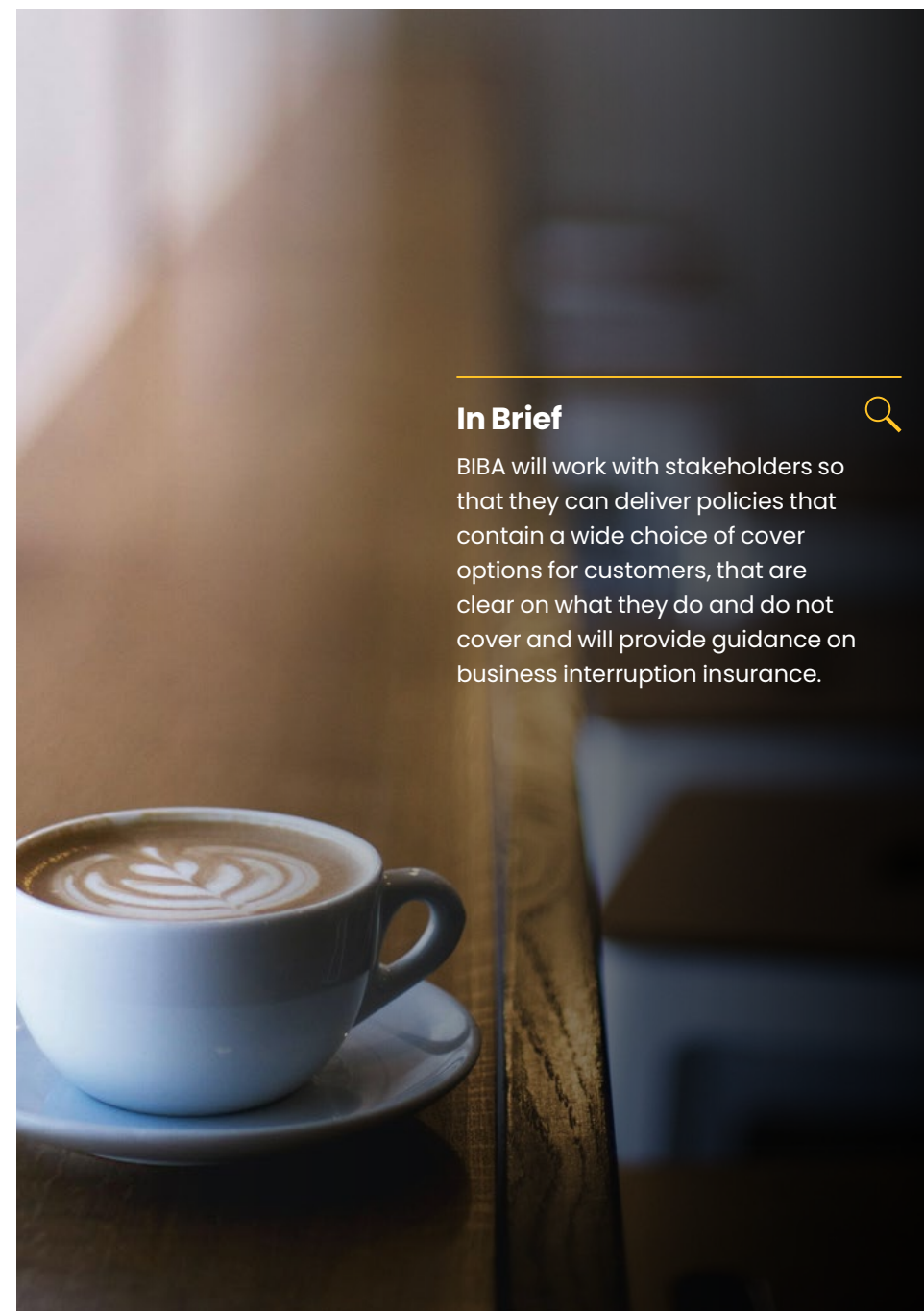
The pandemic shone an important spotlight on the need for insurance policies to be clear on what is and is not covered, particularly in regard to business interruption insurance. The BIBA Property Committee will create new guidance to help understanding of this vital but complex product.

It is important that customers' expectations are well understood. The CII<sup>10</sup> Transparency Forum, in which BIBA participates, launched a new '**ethical companion**' that seeks to provide clarity in policy design for customers. BIBA also supports the Lloyd's of London **Building simpler insurance products to better protect customers** initiative, which sets out a number of ways the global insurance industry could remove complexity and provide enhanced clarity for their customers.

Before Covid-19 in policies that covered non-damage business interruption (NDBI) there were 32 existing notifiable diseases, such as Legionella, that were insurable. BIBA is appealing to the insurance market to continue to provide cover for these conditions and not to exclude them through a wider notifiable disease exclusion. This is important cover and is needed if Pool Re NDBI cover is to attach.

Similarly, BIBA thinks it's important that risks are considered on their own merits and insurance brokers can work with insurance companies to avoid blanket exclusions on public liability insurance.

<sup>10</sup> Chartered Insurance Institute



### In Brief



BIBA will work with stakeholders so that they can deliver policies that contain a wide choice of cover options for customers, that are clear on what they do and do not cover and will provide guidance on business interruption insurance.



# 3 Insurance Premium Tax

Insurance Premium Tax is a tax on protection and a barrier to resilience. The direct cost of taxation on policyholders should be frozen, and the indirect cost to insurance brokers in potential changes to administration needs careful consideration.

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## In this section

Seeking fairer tax



# 3.1

## Improving resilience through an IPT freeze

Insurance Premium Tax (IPT) is a regressive tax that falls on consumers and businesses alike and acts as a major disincentive to the purchase of adequate insurance protection. As such, it is a barrier to resilience.

BIBA members' experiences indicate that businesses have already cut back on cover due to Covid-19 and they have expressed concern about the resultant increased risk exposure. In addition, lack of insurance can have unintended consequences on the state, for example when holidaymakers without insurance call on UK consulates for assistance with repatriation.

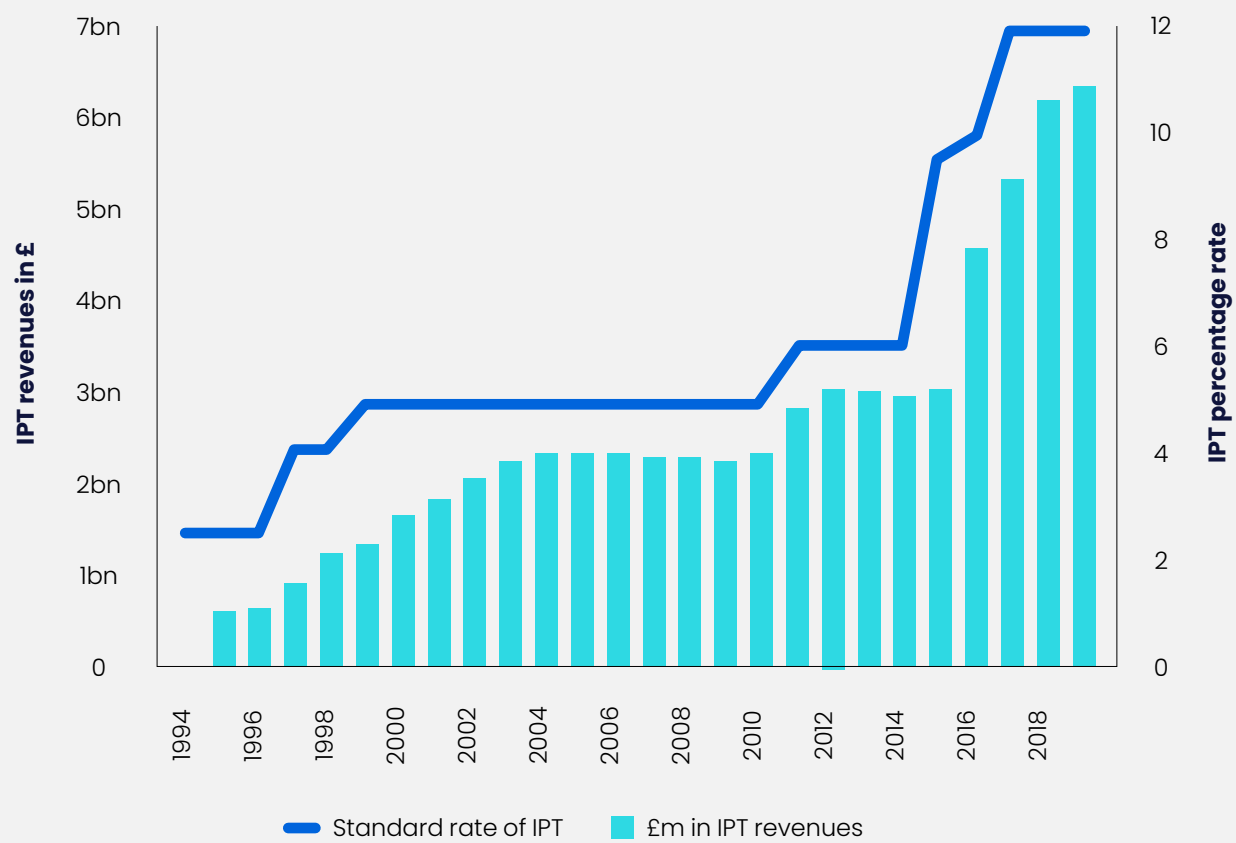
IPT already has a significant impact on the affordability of insurance for many, with nearly 9 in 10 (88%) of respondents to a Zurich Municipal survey stating that IPT currently has an impact on the affordability of their insurance cover.

Public sector organisations and charities have been faced with a difficult financial landscape for several years and are now struggling to maintain the required level of insurance protection as a result of repeated IPT increases. Further rises to IPT will only exacerbate the pressure on public sector budgets.





IPT receipts and rates



In Brief

The rate of IPT has increased rapidly in recent years. IPT receipts in 2019 were at a record high of £6.3bn per annum and, with the insurance market recently experiencing significant premium rate increases across many classes of insurance, more people and businesses will face a higher tax bill. This will be especially challenging for those on lower incomes.

The added pressure on UK businesses caused by Covid-19 has put many at breaking point.

BIBA’s fear is that this could lead some businesses to cut back on vital insurance protection, making them less resilient to unforeseen and potentially catastrophic events. Insurance builds resilience into UK businesses, but excessive rates of IPT undermine this.

BIBA calls for Government to freeze IPT at the current rate of 12% for the remainder of this Parliamentary term.

## 3.2

# IPT Administration and Unfair Outcomes

Understandably, HMRC<sup>11</sup> wishes to be able to collect all IPT that is due on taxable insurance business. BIBA agrees with fair taxation but disagrees with new proposals for insurance brokers to possibly pick up the bill.

While Government describes IPT as a tax on insurance companies, HMRC has been consulting on **proposals** which could make insurance brokers liable for it where an insurance company is not registered to pay it over. Broker fees are also being targeted (despite them not being part of the premium).

### In Brief



Brokers are agreeable to working with HMRC to ensure the right amount of IPT is collected while at the same time ensuring that neither the overall IPT bill for customers nor the collection burden on the insurance sector is increased.

<sup>11</sup> Her Majesty's Revenue and Customs



## 3.3

# Telematics and road safety

There has been a significant take up of telematics policies with almost one million currently in force.

There is a clear correlation between this increase and declining casualty rates for 17–19-year-old drivers. Research<sup>12</sup> from telematics insurance experts Marmalade demonstrates that one in 19 Marmalade drivers had an accident within six months of their policy start date, compared with one in five young drivers who have had an accident in the first months after passing their test (accordingly to national statistics). Other telematics providers' results have also shown significant road safety benefits.

### In Brief



Telematics policies have been shown to moderate driving behaviour, reduce speeding by 25% and increase road safety. To support more responsible behaviour and improve road safety BIBA proposes that Government incentivise more young drivers to purchase telematics policies by, for example, making these policies exempt from IPT.

<sup>12</sup> Data is based on Marmalade Black Box Insurance policies incepted 8th October 2018–30th November 2019



## 3.4

# Travel insurance IPT – in need of urgent reform and simplification

The travel insurance sector is subject to IPT at 20%. This is an historical anomaly introduced at a time when some travel insurance was packaged with the cost of the holiday and these sales were unregulated. Now that FCA regulation is in place for all travel insurance there is no justification for the 20% rate.

The sector is in a desperate situation as a result of Covid-19 lockdowns, leading to redundancies and furloughs as firms struggle to survive. The higher rate of IPT is counterproductive to economic recovery and growth.

Travel insurance is even more important following the UK's exit from the EU. Although a new reciprocal health agreement, via the Global Health Insurance Card, is being made available, this won't provide as broad protection as travel insurance and will not operate in all countries.

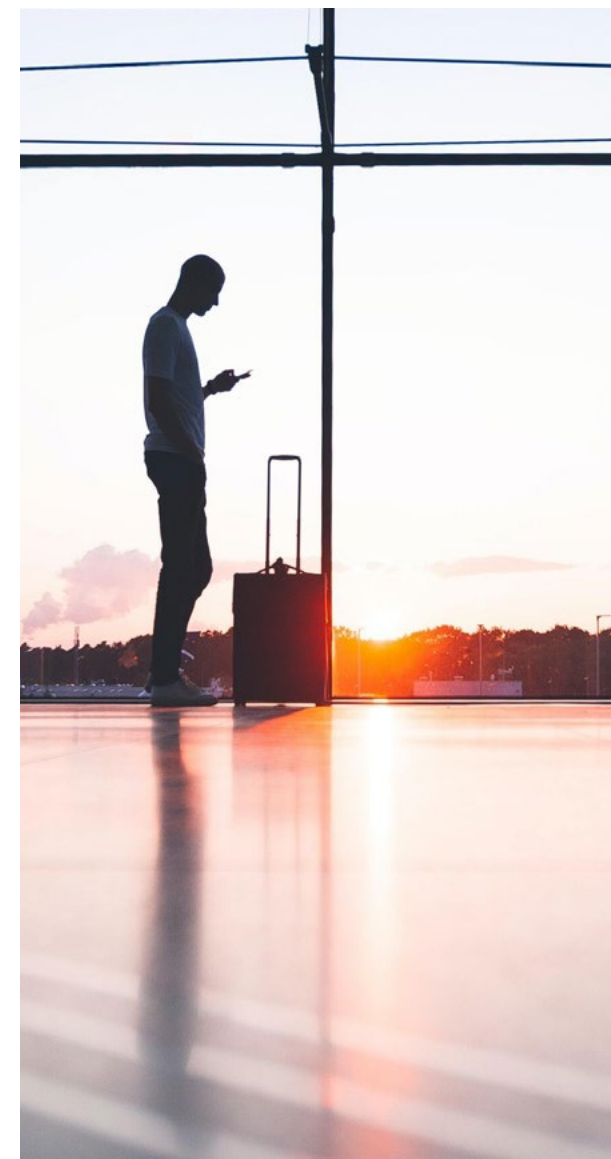
UK citizens make more than 50 million trips per year to EU27 countries. BIBA's joint research with the ABI in October 2019 showed that almost a quarter of UK citizens visiting these countries had no travel insurance. Any incentive to encourage consumers to purchase much needed cover is therefore important and the IPT rate is one lever available to Government.

### In Brief



BIBA calls on Government to reduce the rate of IPT on travel insurance to 12%, which would:

- simplify the IPT system;
- make travel insurance more affordable, particularly for older people or those with medical conditions;
- stimulate economic growth in a very troubled sector; and
- result in more citizens being protected and reduce pressure on UK consulates.





# 4 Overcoming the challenges of the hard market

Brokers currently face particularly difficult trading conditions brought about by a rapidly hardening market and the withdrawal of insurance capacity in certain sectors. This 'perfect storm', fuelled in part by Covid-19, is seriously impacting the ability of some to obtain cover. BIBA will guide its members on how to navigate the hard market and collaborate with Government to design temporary solutions where needed.

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## In this section

Solutions for difficult to  
place insurance





**Hard market solutions**

**The insurance sector is currently experiencing a 'hard market' meaning insurance cover is sometimes difficult to access due to restricted capacity, stricter terms, larger deductibles, or changed annual premiums. This is occurring across various classes of insurance including financial covers such as directors' and officers' (D&O) insurance, professional indemnity (PI) insurance, property insurance for cladded buildings, liability insurance and across certain sectors like care homes.**

**BIBA has published [guidance](#) to help brokers explain to customers why the cost of insurance has risen. BIBA will continue to help members address the challenges posed in a practical way through more guides, hosting webinars and raising awareness about its schemes and facilities which offer ready solutions to some difficult to place risks.**

**Hard market solutions**

**Covid-19 and other macro-risk challenges have led insurance providers to leave certain areas of the market, creating a gap where protection can only be maintained through Government intervention. The trade credit and film/TV restart schemes are good examples, where BIBA and its specialist members worked with Government to scope and design the nature of its intervention at considerable pace. BIBA will continue to engage with Government on other sectors where the market is unable or may not always be able to meet all business insurance needs.**

# 4.1

## Cladded buildings and insurance

It is vital to resolve the issues around both PI and property insurance for cladded buildings.

Market challenges are evident in the PI market for those professionals involved in the remediation of high-rise residential buildings. BIBA believes Government needs to create a new temporary PI solution to unlock the delay in making residential cladded buildings safe.

BIBA has put several detailed papers to MHCLG<sup>13</sup> to help describe the nature of the specific problems that need to be solved and to propose a range of solutions that Government could adopt depending on the scope and duration of any intervention. BIBA looks forward to progressing its ideas with Government in early 2021.

BIBA was pleased by the Government announcement in December 2020 to extend the deadline for applications to its £1bn Building Safety Fund to 30 June 2021. This will help owners and leaseholders with the cost of remediating residential buildings over 18m in height that have unsafe external wall systems. BIBA believes it is imperative that Government widens the scope to include buildings below 18m in height and to increase the size of the fund to cover the total cost of remediation – which could be in excess of £10bn. Pending completion of this remediation programme, BIBA is committed to finding a property insurance solution for cladded buildings, working with the conventional insurance market. BIBA will also work with the market to bring an end to expensive ‘waking watch’ services through support of the £30m Government initiative to fund the installation of automatic fire alarms.

### In Brief



Vital remediation work on unsafe, high-rise residential buildings is being delayed by a lack of PI insurance while the cost of insuring such buildings against the risk of fire is becoming prohibitive. BIBA will work with Government and the insurance market to address these twin problems and calls on Government to increase both the size and the scope of the Building Safety Fund.

<sup>13</sup> Ministry of Housing, Communities and Local Government

## 4.2 Financial lines

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The cost and availability of PI and D&O insurance is affecting an increasing number of professions including solicitors, financial advisers, insurance intermediaries, architects, engineers, surveyors and valuers. In some cases, this is forcing businesses to close.

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In collaboration with the ABI, BIBA will issue guidance on how businesses could approach their renewals, emphasising the need to start the process early and to gather full underwriting information. BIBA will also continue to work with its three accredited **PI insurance providers** to give members access to expertise and markets.

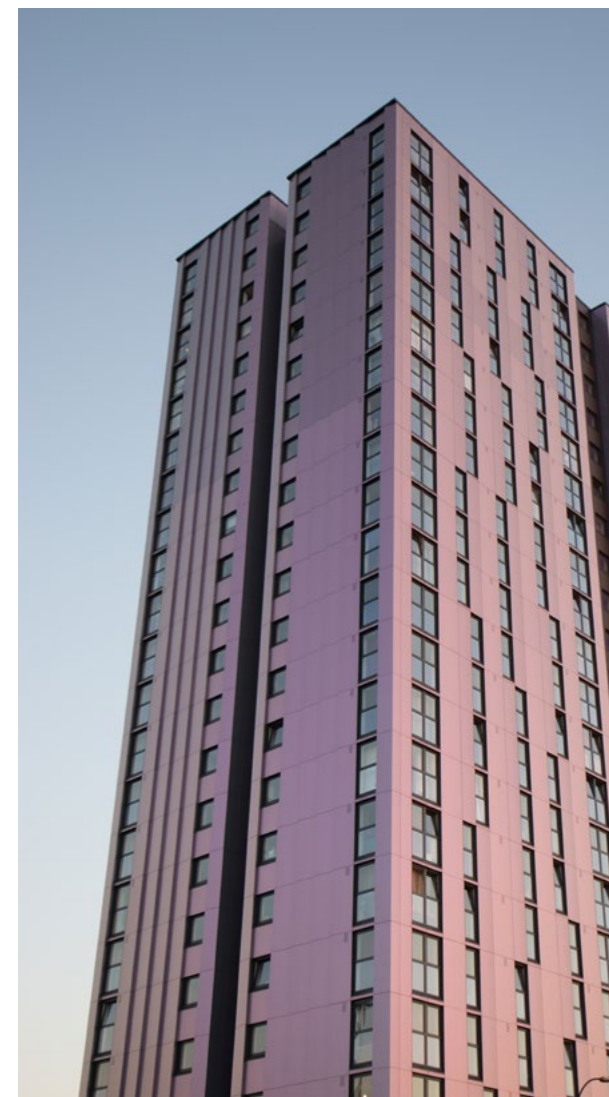
At the same time, D&O insurance is also becoming more difficult to obtain with insurance companies worried about the scale of insolvencies that could result from the pandemic. BIBA will continue to work with its insurance partners on maintaining a healthy supply.

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### In Brief



BIBA is committed to working with all stakeholders to help with access to adequate financial lines insurance during the hard market.



## 4.3

# Navigating insurance company security in a hard market

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BIBA's Litmus Test Report has been designed as an informational learning tool to help brokers develop a basic understanding of the financial profile of insurance companies.

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During a hard market, insurance capacity for some sectors can reduce to such an extent that the only insurance companies available may not have a recognised credit rating and this could include certain insurance companies passported in from the EU. The UK's exit from the EU creates an opportunity for UK regulators to ensure only suitably capitalised firms are given permissions to trade in the UK. The Litmus Test Report benchmarks some of the most common basic ratios used in assessing the financial health of non-life insurance companies against a representative sample of the UK market, along with important supplemental information.

The service covers a list of unrated insurance companies identified by BIBA in consultation with its members. The data is supplied by A.M. Best and the educational and ratio selection has been determined by Litmus Analysis.

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### In Brief

A new BIBA publication will be launched to help members navigate the issue of insurance company security.





# 5

# Insuring everything on our roads

Motoring is changing, and insurance of vehicles is changing too with insurance brokers at the forefront.

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## In this section

Motor insurance for  
risks of the future





## 5 Insuring everything on our roads

Fundamental discussions are currently taking place around the future of motor insurance. The BIBA Motor Committee will be at the forefront of these changes and will liaise with the Department for Transport, the Law Commission, the Centre for Connected and Automated Vehicles, the Transport Research Laboratory and other stakeholders on the following projects.

### The future of motor insurance

- 5.1** The safe introduction of vehicle automation and advanced driver assistance systems like Automated Lane Keeping Systems (ALKS).
- 5.2** The legalisation of e-scooters and the necessary insurance requirements to compensate injured parties.
- 5.3** The UK's exit from the EU, and the opportunity to undo some of the issues created by the Vnuk ruling.<sup>14</sup>
- 5.4** The Green Card system for driving in the EU and the Council of Bureaux free circulation zone.
- 5.5** Informing the discussion around proposed changes to negligence law for road traffic accidents.
- 5.6** Encouraging young and novice drivers to buy telematics-enabled motor insurance policies that lead to safer driving and more affordable insurance.
- 5.7** Working towards reforming the Northern Ireland personal injury discount rate to a new, fair and proportionate system.

### In Brief

BIBA will work with all stakeholders to ensure that motor insurance protection is available as widely and as easily as possible.



# 6 Competition, regulation and trading

Insurance regulation is far reaching and sometimes counterproductive. BIBA wants regulation to be proportionate and to provide a landscape attractive to new entrants. This is particularly relevant as the FCA commences its transformation programme.

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## In this section

Doing business with  
the right regulation





# 6.1

## Fairer pricing, fair competition

BIBA supports the FCA's desired outcome of enhanced competition and long-term fair value for consumers, it is important to get the balance right and avoid any unintended consequences.

BIBA highlights the fact that while most brokers are not responsible for setting prices, they are very much part of the solution for customers. They can use their expertise to re-broke to different markets year on year on behalf of customers while ensuring that cover continues to meet the consumer's needs, it is essential to remember that price is not the only consideration when buying insurance. Brokers can add value by reviewing the market for their customers at renewal to see if there may be a more suitable cover as an alternative to their existing policy.

BIBA has grave concerns around the FCA's proposals on 'fair value' assessments of products. Telling brokers to share their fee structures with insurance companies or other brokers in the chain creates the significant risk that the sharing of information including with insurers direct arms could amount to collusion in the eyes of the Competition & Markets Authority. Firms are put into an unrealistic position of trying to judge the 'value' of fees for brokers' services, without any understanding of each broker's operating costs or level of service.

### In Brief



BIBA supports proposals to equalise renewal and new business premiums but is calling on the regulator to rethink ideas around 'fair value' assessments.



## 6.2

# The weight of regulatory fees

At a time when firms' income has taken a hit as a result of the pandemic, the impact of increasing regulatory fees is even more significant.

Proportionate regulation is necessary and welcome and a regulatory regime needs funding to operate effectively. In recent years though, the burden of regulation had been increasing and 2021 will see the UK regulatory architecture look to increase the costs to firms already facing challenges by increasing their fees.

The FCA is proposing to increase application fees and introduce transaction fees, the Financial Ombudsman Service wants more money from both its general levy and case fees and the Financial Services Compensation Scheme announced an indicative total levy of over £1bn, meaning brokers are rightly concerned. Ultimately if the cost of operating proves too high the number of professional insurance brokers will reduce and customers will have fewer choices when seeking advice.

### The numbers

General Insurance brokers were asked to contribute a **further £22m** to the **FSCS** pot this year - **122%** on top of the actual levy already applied. For the 2021/22 year, **on top of** the planned **£14m**, the demand will be a further **£132m** for the general retail pool.'

The **FOS** wants to increase its general levy and add **£100** to its current **£650** case fee.

The **FCA** is planning to introduce transaction fees for parts of businesses and we await the detail of its general regulatory fee in April.

### In Brief



Increasing regulatory fees could impact the financial resilience of brokers and their customers who may be faced with higher costs as a result of these proposals. The additional regulatory burden could reduce competition and impact access to insurance. BIBA calls for proportionality and fairness.

## 6.3

# Future Regulatory Framework Review

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BIBA welcomes HMT<sup>15</sup> proposals to use the framework around the Financial Services and Markets Act 2000 for the creation of all regulatory developments. It should enable regulations to be updated relatively quickly in response to changing conditions with appropriate checks and balances.

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The consultation also proposes greater collaboration between HMT and the regulators before any proposed regulation is consulted on publicly. The greater flexibility (outside the confines of EU rulemaking arrangements) to create new rules needs to be offset by new checks and balances. The enhanced collaboration between HMT and the regulators needs to include a challenge mechanism, so that any new proposals are justified and go only as far as is needed to deal with a real (not perceived) problem. Overburdensome regulations lead to under-productive firms.

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### In Brief



The additional freedom that the UK financial services regulators have outside the EU to create new rules needs a control framework around it to reduce the risk of regulatory overload on firms.

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<sup>15</sup> Her Majesty's Treasury



## 6.4

# Open Insurance

Open Insurance is where consumers and small businesses give trusted third parties access to their data to make it easier to shop-around.

BIBA welcomes the discussion about Open Insurance increasing opportunities for firms to step in and help customers. Key observations are:

### 1. Insurance brokers as Third Party Providers

Brokers work as trusted advisers to their clients already and so naturally fulfil the role. The biggest obstacle to brokers aiding clients is the possible slow release of information by product providers.

### 2. No to auto-switching

Auto-switching based on price as the sole or predominant factor can lead to significant consumer harm. Auto-switching also breaches the FCA's current ICOBS<sup>16</sup> rules.

### 3. Is there a problem?

The FCA's call for input does not clearly set out a problem that needs to be solved in the insurance sector. The insurance sector already has a vibrant intermediary market that provides benefits to consumers through a high rate of switching.

### 4. Increased cost of change

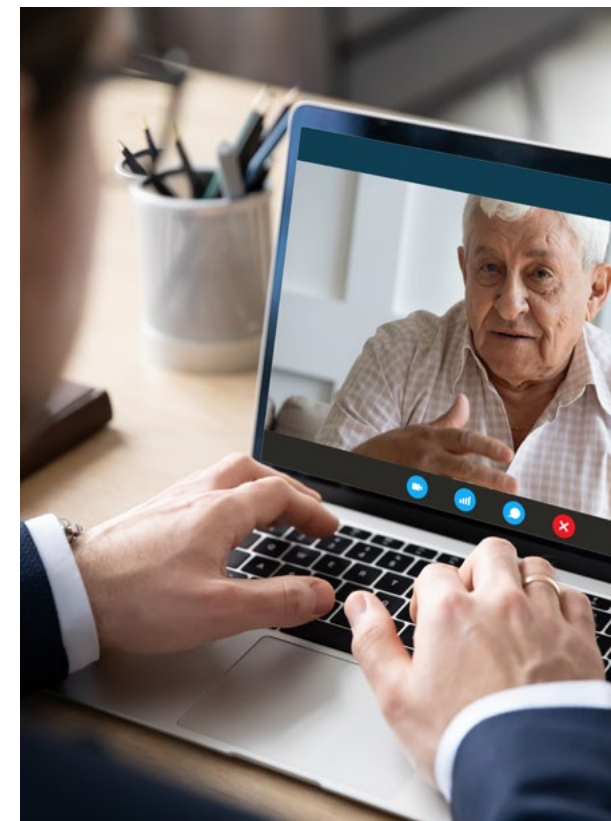
Brokers have systems in place that enable customer switching and the considerable cost of a massive change to infrastructure would outweigh the benefit to consumers and possibly increase costs to them.

### 5. Exacerbating 'hollowing out' of cover

Any move to push customers' focus even further towards price alone risks customers being offered products that do not meet all their needs.

### 6. Excluding the vulnerable

Open Insurance presupposes that customers will have access to both smartphones and broadband coverage. The FCA's own research confirms that this is not the case, with the elderly and vulnerable at particular risk of being excluded.



### In Brief

If Open Insurance is to be introduced, implementation would require significant investment for the insurance industry, which would need adequate time to adapt and fairness must be ensured in order to deliver good customer outcomes and avoid any unintended consequences.

<sup>16</sup> Insurance Conduct of Business Sourcebook

# 6.5

## Strengthening the UK's place in the world

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Many insurance brokers trade overseas and need support from Government on the world stage, particularly now following the UK's exit from the EU.

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The FCA, in its previous incarnation as the FSA, had a statutory duty to consider the international competitive position of the UK when creating new rules and obligations.

The UK has an urgent need to be globally competitive following its departure from the EU and taking back control of rule-making powers should not mean taking a carte-blanche approach to creating extra regulatory burdens for firms.

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### In Brief



BIBA believes it is vital to reinstate a global competition objective for UK regulators, particularly at such an important juncture in navigating potential new opportunities available to the UK internationally and as existing markets close to UK firms.

## 6.6

# Trading post EU exit

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Although the December 2020 trade deal was welcome news for the UK, it holds little comfort for the insurance broking sector because for insurance brokers there is no equivalence provision in EU law.

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### Access

From 1 January 2021 passporting to the EU ceased for UK-based insurance intermediaries, which represent over 1% of UK GDP, and are now no longer able to intermediate on EU risks for EU-based customers unless they are authorised in the EU to do so. Only a small percentage of insurance intermediaries have the resources to set up a legal entity in the EU. Therefore, we strongly urge UK Government to give high priority in the new Memorandum of Understanding on Financial Services, to a system that, as closely as possible, replicates 'passporting' rights and to implement it swiftly. Such frictionless access would simplify and reduce the cost of servicing the insurance needs of UK based clients that have EU risks.

### Data

The EU agreed to a "specified period" of four months from 1 January 2021, extendable by a further two months, in which data can be exchanged in the same way it is now, provided that the UK makes no changes to its rules on data protection in the interim. The flow of data between the UK and EU on financial services is vital and we urge the Government to agree a long-term solution as a matter of urgency.

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### In Brief

BIBA urges UK Government to seek to replicate the previously enjoyed passporting system as much as possible and to agree a permanent solution to the transfer of data between the UK and EU so that insurance brokers can continue to help their EU customers.



## 7

# Delivering for our members and customers

BIBA delivers a range of benefits for members to enhance their resilience. Its operation and values aim to keep the insurance broking sector vibrant, relevant and successful.

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**In this section**

What BIBA does for its members and customers

# 7.1

## BIBA delivering operational resilience for members

As a trade body supporting such an important part of the British economy BIBA supports the resilience of insurance brokers in several ways:

- ✓ **Schemes and facilities** to provide additional capacity to members
- ✓ **Webinars** to support education, training and professional development
- ✓ **Representation** to the regulator, Government and the insurance industry
- ✓ **Legal helpline**
- ✓ **Regulatory support**
- ✓ **Technical support** including new guides on business interruption and trade credit in 2021
- ✓ An Insurance Brokers' **Good Practice Guide**
- ✓ **Mental Wellbeing** Facility for members and their employees
- ✓ Discounted **Broker Assess** online training tools that fulfil CPD requirements
- ✓ **Find Insurance Service** leads for members
- ✓ **Premium finance** facility – competitive rates and service and simple end to end operation
- ✓ **Support** via our advisory boards and committees
- ✓ **Valuation** facility to help members' clients calculate the correct values at risk for buildings, plant & machinery, business interruption, fine art & antiques
- ✓ Conferences and events providing **networking**, sharing and deal making opportunities
- ✓ **Sanctions checking** facility
- ✓ The **BIBA Litmus Test Report** on unrated insurance company financial ratios
- ✓ **Standard and Poor's** insurance company financial credit rating facility
- ✓ Ongoing **promotion** of the benefits of using an insurance broker
- ✓ A comprehensive range of **claims services** for brokers and their clients from brokers' PI to claims advocacy and after the event insurance
- ✓ Published **tips** for members on operating in the new normal
- ✓ Keeping members informed of ongoing changes that **Brexit** has brought, as well as an arrangement with the Worldwide Broker Network introductions to help members continue to work with EU clients as needed
- ✓ BIBA facility with **Insurcore**, the insurance networking platform, to provide members easy access to insurance capacity and InsurTech firms
- ✓ **Horizon scanning** for regulatory and operational change

# 7.2

## BIBA and its values: acting for UK business

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BIBA is the UK's leading general insurance intermediary organisation representing the interests of insurance brokers, intermediaries and their customers.

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BIBA membership includes around 1800 regulated firms, employing more than 100,000 staff. General insurance brokers contribute 1% of GDP to the UK economy; they arrange 67% of all general insurance with a premium totalling £65.1bn and 81% of all commercial insurance business. Insurance brokers put their customers' interests first, providing advice, access to suitable insurance protection and risk management.

BIBA receives hundreds of thousands of enquiries per year to its Find Insurance Services, online and via the telephone, which are directed to insurance broking firms.

BIBA promotes the benefits of using a regulated insurance broker and highlights the dangers of buying insurance from unknown and unregulated sources which may be illegitimate, selling fake policies of no value to those seeking financial protection.

BIBA is the voice of the sector advising members, Government, regulators, consumer bodies and other stakeholders on key insurance issues.





## Values

BIBA values include being approachable, relevant, representative, supportive and acting with integrity. We support the following important initiatives, which reflect the UK's social and economic trends.



## Inclusivity

The insurance sector serves many different customer communities and societies. BIBA aims to help its members attract, employ and retain talent in order to be able to thrive and serve their customers well. That broking talent will benefit by reflecting the make-up of society in all its diversity including race, social background, sexual orientation, age, religion, disability and education to list but a few, and be able to be inclusive and tolerant of those differences. BIBA supports the HMT-led Women in Finance Charter, the Inclusive Behaviours Pledge, inclusion@Lloyd's, and is also a signatory to the Armed Forces Covenant. Adapting workplaces to help those with disabilities and wellbeing issues is essential to being a resilient business.



## Sustainability

BIBA believes in a sustainable future and its workstreams will focus on how the insurance sector can support sustainable trading, green finance, green repair and remediation. BIBA plans to launch a sustainability toolkit.



## Careers Support

Insurance broking is a varied and exciting career with much room for progression. It offers a huge array of opportunities from traditional, client-facing broking roles and technical insurance careers, through to sales, accountancy, marketing, digital solutions and HR with opportunities in management at the highest level. Joining the sector can put young brokers right at the cutting edge of the big issues – climate change, cyber-crime and InsurTech as well as the real human matters that face people and businesses. The sector has an ongoing commitment to attract and retain young talent. The new BIBA National Young Broker Committee is supporting our work in careers and apprenticeships.



## Wellbeing

BIBA helps members to understand the importance of good employee mental wellbeing through webinars and training and supports them with information to help them create a supportive working environment.



## New solutions and innovations

BIBA is always keen to encourage new innovations for its members and their customers. For example, parametric insurance operates when an agreed set of parameters is reached. One of the benefits this brings is the certainty and speed of claims settlements.

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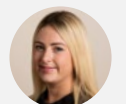


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