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BROKERS IN IRELAND - OPPORTUNITIES AND THREATS

BY
HUGH D. GOVERNEY A.C.I.I.
MANAGING DIRECTOR : CORPORATE BROKING
COYLE HAMILTON LIMITED : DUBLIN

SINCE 1903 WHEN THE FIRST OF THEIR NUMBER WAS ESTABLISHED BROKERS IN IRELAND HAVE BEEN IDENTIFYING OPPORTUNITIES FOR BUSINESS DEVELOPMENT. MANY HAVE NOT ALONE IDENTIFIED THOSE OPPORTUNITIES BUT HAVE VERY SUCCESSFULLY DEVELOPED THEM. SINCE THOSE EARLY DAYS IRISH BROKERS HAVE ALSO BEEN FACED WITH A VARIETY OF THREATS AND CHALLENGES TO THE VIABILITY AND SURVIVAL OF THEIR BUSINESSES. THE VAST MAJORITY HAVE SURVIVED.

THE SITUATION TODAY IS NO DIFFERENT.

EVERY SECTOR OF INDUSTRY, COMMERCE AND PROFESSIONS AND **EVERY BUSINESS** WITHIN THOSE SECTORS IS AND ALWAYS HAS BEEN PRESENTED WITH OPPORTUNITIES AND FACED WITH THREATS. THAT IS THE VERY NATURE OF BUSINESS ITSELF.

VITAL TO THE DEVELOPMENT OF A **SUCCESSFUL** BUSINESS IS **IDENTIFYING THREATS BEFORE IT IS TOO LATE AND TAKING APPROPRIATE ACTION.**

HOW **ARE** BROKERS IN IRELAND FARING AND LIKELY TO FARE IN THE FORSEEABLE FUTURE IN WHAT WE ALL KNOW SO WELL AS A RAPIDLY CHANGING BUSINESS ENVIRONMENT ?

IF I KNEW ALL OF THE QUESTIONS AND ALL OF THE ANSWERS I MIGHT NOT HAVE ACCEPTED YOUR PRESIDENT'S VERY KIND INVITATION TO SPEAK HERE TODAY ! I MIGHT INSTEAD HAVE GRACIOUSLY DECLINED - LOCKED MYSELF AWAY IN MY OFFICE AND RE-EMERGED ON 1ST JULY OF THIS YEAR WITH A GRAND SCHEME WHICH WOULD ENSURE THAT MY OWN COMPANY WOULD HAVE ALREADY IDENTIFIED AND DEALT WITH THE POTENTIAL THREATS AND EQUALLY IDENTIFIED AND AVAILED OF ALL OF THE OPPORTUNITIES WHICH PRESENT THEMSELVES IN 1994. HOWEVER I HASTEN TO ASSURE YOU THAT THE FACT THAT I AM ADDRESSING THESE ISSUES WITH YOU TODAY DOES NOT MEAN THAT THEY ARE BEING IGNORED BY ME OR MY COMPANY - ON THE CONTRARY !

IN IRELAND AS IN MANY OTHER COUNTRIES WE TEND TO DIFFERENTIATE BETWEEN MULTI-NATIONAL FIRMS, LARGE NATIONAL FIRMS, REGIONAL BROKERS AND SMALL LOCAL BROKERS.

WHILE CERTAIN CORE MATTERS ARE COMMON TO ALL BROKERS CLEARLY THE ISSUES FACING BROKERS IN EACH OF THESE CATEGORIES WILL VARY - IN SOME CASES VERY SIGNIFICANTLY - INDEED WHAT IS A **SERIOUS THREAT TO BROKERS IN ONE CATEGORY MAY BE AN EXCITING OPPORTUNITY FOR THOSE IN ANOTHER CATEGORY.**

SINGLE EUROPEAN MARKET

THIS LONG THREATENING - LONG AWAITED - PIECE OF LEGISLATION AS WE KNOW COMES INTO EFFECT ON 1ST JULY THIS YEAR. I HAVE ABSOLUTELY NO DOUBT THAT THERE WILL BE A GREAT DEAL OF NEW ACTIVITY IN THE SECOND HALF OF THE YEAR IN THE LIFE AND NON-LIFE INSURANCE SECTORS AFFECTING BOTH CORPORATE AND INDIVIDUAL INSURANCE CONSUMERS.

THE CHANGES WHICH THE THIRD DIRECTIVE WILL INTRODUCE IN THE SHORT-TERM AND CERTAINLY IN THE LONG-TERM WILL HAVE A PROFOUND EFFECT ON THE ENTIRE INSURANCE MARKET IN IRELAND. WE KNOW NO MORE THAN INSURANCE PROFESSIONALS IN OTHER EUROPEAN UNION COUNTRIES WE DO NOT KNOW WHAT THE PRECISE ON-THE-GROUND EFFECTS OF THE SINGLE MARKET WILL BE. HOWEVER IT MIGHT BE USEFUL TO MENTION A FEW ISSUES - SOME OF WHICH ARE MORE RELEVANT TO THE NON-LIFE AREA THAN TO LIFE AND VICE VERSA.

IT WILL BE EXTREMELY DIFFICULT IF NOT IMPOSSIBLE FOR A BROKER TO BE ABLE TO ASSURE HIMSELF OR HIS CLIENT THAT THE TERMS WHICH HE IS OFFERING ARE THE BEST AVAILABLE IN THE EUROPEAN INSURANCE MARKET. UNTIL NOW WE HAVE BEEN ABLE TO MAKE A RISK PRESENTATION OR PENSION SCHEME PROPOSALS TO THE ENTIRE LICENSED INSURANCE MARKET AS A RESULT OF WHICH WE CAN TELL CLIENTS THE RANGE OF PRICES AND COVERS AVAILABLE FROM THE LIFE AND NON-LIFE INSURERS ESTABLISHED HERE - APPROX. 100 IN TOTAL.

IN THE EUROPEAN INSURANCE MARKET IS MADE OF THOUSANDS OF UNION IT IS ESTIMATED THAT THERE ARE 2,000 INSURANCE COMPANIES. CLEARLY IT IS RIDICULOUS TO CONTEMPLATE PRESENTING RISK DETAILS TO THAT NUMBER OF COMPANIES. THIS GIVES CAUSE FOR SERIOUS CONCERN TO THE BROKERS IN IRELAND AND IN OTHER EUROPEAN COUNTRIES. BROKERS ALWAYS LIKE TO **KNOW AND INFORM** THEIR CLIENTS WHAT ARE THE VERY BEST TERMS AVAILABLE.

DIFFERENT BROKERS MAY COPE IN DIFFERENT WAYS WITH THIS THREAT:

MULTI-NATIONAL BROKERS MAY FIND IT EASIER TO MANAGE AS A RESULT OF THEIR NETWORK OF OFFICES IN MOST E.U. COUNTRIES. INDEED ONE OF THE MAJOR MULTI-NATIONAL BROKER HAS ALREADY ESTABLISHED A CENTRALISED GLOBAL BROKING UNIT WHICH THROUGH THE USE OF COMMUNICATIONS TECHNOLOGY WILL IDENTIFY AND SUBMIT DETAILS TO APPROPRIATE INSURERS IN ALL INSURANCE MARKETS. IF THIS GIVES THEM AN ADVANTAGE OVER OTHER BROKERS IT IS CERTAINLY TURNING WHAT IS A THREAT TO MANY INTO AN OPPORTUNITY FOR THEMSELVES. TIME WILL TELL IF A SYSTEM WILL BE SUCCESSFUL PARTICULARLY FOR THE VAST MAJORITY OF IRISH RISKS WHICH ARE NOT LARGE ENOUGH TO BE OF INTEREST TO THE MAJORITY OF INSURERS WRITING UNDER FREEDOM OF SERVICES.

I DO BELIEVE THAT QUITE A NUMBER OF IRISH BASED BROKERS AND THEIR CLIENTS CAN BENEFIT FROM THE SINGLE MARKET. IN MANY CASES THIS WILL ONLY HAPPEN IF RELATIONSHIPS ARE BUILT WITH BROKERS IN OTHER E.U. COUNTRIES. IN SOME CASES SMALL/MEDIUM SIZED IRISH BROKERS WILL NEED TO GET TOGETHER LOCALLY SO THAT THE VOLUME OF BUSINESS THEY CAN PRESENT TO THE EUROPEAN MARKET WILL BE SUFFICIENT TO BE OF INTEREST TO OTHER EUROPEAN PARTNERS.

BEFORE WE ALL GET TOO CARRIED AWAY WITH EXCITEMENT OR SUNK BY DEPRESSION ABOUT THESE EUROPEAN DEVELOPMENTS, I HOPE AND BELIEVE THAT ALL THINGS BEING RELATIVELY EQUAL THERE WILL BE A STRONG DESIRE ON THE PART OF IRISH BROKERS AND THEIR CLIENTS TO CONTINUE TO PURCHASE THEIR INSURANCE FROM INSURERS ESTABLISHED HERE IN IRELAND. HOWEVER IF ALL THINGS ARE **NOT** RELATIVELY EQUAL IRISH INSURANCE BUYERS WILL NOT HESITATE TO PURCHASE INSURANCE WHERE THEY CAN GET WHAT THEY CONSIDER TO BE THE BEST DEAL.

THERE IS A GREAT DEAL MORE WHICH I COULD SAY AND WE COULD ALL SAY ABOUT THE SINGLE INSURANCE MARKET AND I HOPE THAT WE WILL HAVE SOME DISCUSSION ON IT LATER.

DIRECT MARKETING / SALES BY INSURERS

THE DEVELOPMENT OF DIRECT MARKETING/SALES BY INSURERS IS SEEN AS A SERIOUS CHALLENGE TO INSURANCE BROKERS. THOSE BROKERS WHO HAVE CONCENTRATED ON BUILDING A PRIVATE MOTOR AND HOME OWNERS ACCOUNT TO THE EXCLUSION OF CORPORATE BUSINESS ARE FACED WITH THE THREAT OF SIGNIFICANT LOSS OF BUSINESS AS A RESULT OF THE ACTIVITIES OF SOME INSURERS. NO DOUBT WE WILL SEE OTHERS ENTERING THE DIRECT MARKET IN THE COMING MONTHS AND YEARS. PERHAPS WE WILL SEE DIRECT WRITERS WHO HAVE BEEN VERY SUCCESSFUL IN OTHER EUROPEAN MARKETS ESTABLISHING IN IRELAND AND USING THE SAME APPARENTLY SUCCESSFUL FORMULA TO CAPTURE A SIGNIFICANT MARKET SHARE.

DIRECT SELLING OF PRIVATE MOTOR INSURANCE IS OF COURSE NOT NEW TO THE IRISH MARKET. WE HAVE SEEN AND MANY ARE STILL PAYING FOR THE DISASTER WHICH RESULTED FROM ONE MAJOR INSURER'S DIRECT SELLING. WE HAVE IN MORE RECENT TIMES SEEN HOW IT CAN BE DONE VERY **SUCCESSFULLY**.

IRISH BROKERS ARE CLEARLY NOT PREPARED TO SEE LARGE NUMBERS OF THEIR CLIENTS GO OUT THE DOOR TO DEAL DIRECT - AT LEAST NOT WITHOUT A FIGHT TO RETAIN THE CLIENTS ON THE BASIS OF THE ADDED VALUE OF THE BROKER SERVICE. THIS INVOLVES NOT JUST SECURING COMPETITIVE QUOTATIONS BUT ALSO IN PROVIDING SERVICE AND INDEPENDENT ADVICE TO THE CLIENT THROUGHOUT THE YEAR AS REQUIRED IN RELATION TO CLAIMS AND OTHER MATTERS AND PROVIDING CHOICE AND FREEDOM OF CHOICE AT EACH SUBSEQUENT RENEWAL.

I EXPECT SOME BROKERS (OR GROUPING OF BROKERS) WILL DECIDE TO DEAL WITH THE DIRECT CHALLENGE **BY DEVELOPING SCHEMES FOR GROUPS WHICH MERIT SPECIAL RATING**.

TELEBROKING

ONE WAY FOR BROKERS TO DEAL WITH THE CHALLENGE OF DIRECT WRITERS IS TO SET UP THEIR OWN "DIRECT" TELEBROKING SERVICING USING ON-LINE TECHNOLOGY AND SPECIALISED SALES TECHNIQUES TO CAPTURE A SHARE OF THE DIRECT MARKET. OF COURSE BROKERS IN DOING SO ARE OFFERING FAR MORE THAN DIRECT (INSURANCE COMPANY) WRITERS - BROKERS OFFER **CHOICE**.

THESE ACTIVITIES WILL OF COURSE REQUIRE THE SUPPORT OF FIRST-CLASS TECHNOLOGY AND MARKETING RESOURCES PROBABLY SUPPORTED BY NON-DIRECT INSURERS.

BANKS AND CREDIT CARD COMPANIES SELLING INSURANCE PRODUCTS

COMPETITION FROM BANKS IS NOTHING NEW TO BROKERS IN IRELAND. BANK MANAGERS WERE SELLING INSURANCE IN IRELAND BEFORE BROKERS WERE HEARD OF. WHAT IS DIFFERENT NOW AND WELL SET TO CONTINUE IS THAT **BANKS ARE NOW IN THE LIFE INSURANCE BUSINESS AS UNDERWRITERS AND IN THE GENERAL INSURANCE BUSINESS AS PROFESSIONAL BROKERS OR TIED AGENTS** AS IS THE CASE IN THE U.K. AND OTHER EUROPEAN COUNTRIES. THESE DEVELOPMENTS MUST BE ACCEPTED AS A FACT OF LIFE. IT IS A CAUSE OF CONCERN TO LIFE INSURERS AND BROKERS THAT BANK-OWNED LIFE ASSURANCE COMPANIES HAVE CAPTURED SUCH A SIGNIFICANT SHARE OF THE TOTAL MARKET. HOWEVER THERE IS LITTLE DOUBT THAT THE MARKETING AND SALES ACTIVITIES OF THE BANKS IN THIS AREA HAS INCREASED THE TOTAL SIZE OF THE MARKET AND BY HEIGHTENING CUSTOMER AWARENESS OF THE NEED FOR THE PROTECTION AND INVESTMENT SERVICES PROVIDED BY THE INSURANCE SECTOR.

THERE IS ALSO LITTLE DOUBT THAT BANKS HAVE A VERY SIGNIFICANT MARKETING ADVANTAGE OVER OTHER INSURERS/BROKERS BECAUSE OF THEIR VERY, VERY LARGE CUSTOMER BASE.

SO WHAT CAN WE DO ABOUT IT ?

I BELIEVE WE NEED TO WORK EVEN HARDER TO PROMOTE THE BENEFITS OF INDEPENDENT ADVICE - FREEDOM OF CHOICE - IN THE LIFE AND NON-LIFE SECTORS - TO TRY AND ENSURE WE CAN **AT LEAST** MATCH THE PRODUCTS AND SERVICES WHICH ARE BEING MARKETED BY THE BANKS.

CREDIT CARD AND CHARGE CARD COMPANIES HAVE FOR MANY YEARS BEEN VERY ACTIVE IN SELLING INSURANCE AND OTHER PRODUCTS AND SERVICES TO THEIR CUSTOMER BASE. SOME OF THE INSURANCE COVERS ARE PROVIDED FREE OF CHARGE AS PART OF THE SERVICE BY THOSE COMPANIES TO THEIR CUSTOMERS. HOWEVER THE MORE INTERESTING AND PRESUMABLY MORE PROFITABLE ACTIVITY BY THOSE COMPANIES AND THE ONE WHICH POSES A FAR GREATER THREAT TO THE INCOME OF THE BROKERS IS THE MARKETING/SALE OF ATTRACTIVE INSURANCE PRODUCTS AT COMPETITIVE PREMIUMS BECAUSE OF SPECIAL ARRANGEMENTS MADE WITH INSURERS ON THE BASIS OF VOLUME.

HERE AGAIN THE ACTIVITIES OF THE CARD COMPANIES AND THEIR ADVERTISING OF INSURANCE PRODUCTS DOES CREATE AN INCREASED AWARENESS OF THE PRODUCTS AND SERVICES AVAILABLE FROM THE INSURANCE MARKET. THOSE BROKERS WHO KEEP THEIR EARS, EYES AND **MINDS** OPEN AND WHO KEEP CLOSE TO THEIR CLIENTS SHOULD BE ABLE TO BENEFIT FROM THESE MARKETING DEVELOPMENTS.

**GROUP INSURANCE SCHEMES -
COMMERCIAL AND PERSONAL LINES**

GROUP INSURANCE SCHEMES HAVE BEEN A FEATURE OF THE IRISH INSURANCE MARKET FOR THE PAST TWENTY YEARS OR SO; SOME HAVE BEEN EXTREMELY SUCCESSFUL AND CONTINUE TO THRIVE TODAY. OTHERS HAVE HAD A VERY SHORT LIFE AND IN SOME CASE RESULTED IN HEAVY LOSSES TO INSURERS.

AS A RESULT OF THE EXPERIENCE GAINED FROM SUCCESSES AND FAILURES INSURERS AND BROKERS IN IRELAND ARE NOW FAR BETTER SKILLED IN THE DESIGN AND MARKETING OF INSURANCE SCHEMES. I BELIEVE THERE IS A GREAT FUTURE FOR BROKER-DESIGNED SCHEMES UNDERWRITTEN BY INSURERS ESTABLISHED HERE OR IN OTHER EUROPEAN COUNTRIES. THOSE WHO HAVE THE EXPERTISE TO DESIGN INSURANCE PRODUCTS AND SCHEMES FOR GROUPS OF BUSINESSES AND INDIVIDUALS CAN BENEFIT FROM THIS TREND.

ONE OF THE DANGERS IN THIS AREA IS THAT BROKERS BASED OUTSIDE IRELAND WILL DEVELOP SUCH SCHEMES - POSSIBLY LINKED TO SIMILAR GROUPINGS IN OTHER E.U. COUNTRIES - TO THE EXCLUSION OF IRISH INSURERS AND BROKERS.

FOR A SCHEME TO BE SUCCESSFUL IT IS ESSENTIAL THAT THE PRODUCT BE

**ATTRACTIVE TO THE CUSTOMERS AT WHOM IT IS AIMED,
PROVIDING THE TYPE OF COVER AND SERVICES REQUIRED AND BE
COMPETITIVELY PRICED.**

THE SCHEME MUST BE STRUCTURED IN SUCH A WAY THAT THE INSURER HAS A REASONABLE PROSPECT OF MAKING A PROFIT SUFFICIENT TO JUSTIFY THE TIME AND EXPENSE AND RISK EXPOSURE INVOLVED. IN RELATION TO INVESTMENT IN PROPERTY IT IS SAID THAT ONLY THREE THINGS COUNT

- LOCATION
- LOCATION
- LOCATION

IN RELATION TO DISTRIBUTION OF HIGH VOLUME INSURANCE PRODUCT - WHETHER LARGE OR SMALL UNIT BUSINESS ONLY THREE THINGS COUNT

- DISTRIBUTION
- DISTRIBUTION
- DISTRIBUTION

THERE IS LITTLE POINT IN PRODUCING A VERY FINE INSURANCE PRODUCT IF IT CANNOT BE SOLD AND DISTRIBUTED TO THOSE WHO NEED IT. ALTHOUGH THERE ARE SOME NOTABLE EXCEPTIONS TO THE RULE I BELIEVE QUITE FIRMLY THAT FOR ANY INSURANCE SCHEME TO BE SUCCESSFUL IN IRELAND IT IS IMPORTANT THAT IT BE DISTRIBUTED THROUGH AN APPROPRIATE NETWORK OF OFFICES. THIS COULD FOR EXAMPLE BE THE BRANCH OFFICES OF BANKS, INSURERS OR BUILDING SOCIETIES, CREDIT UNIONS OR OTHER RETAIL OUTLETS.

BROKER DESIGNED AND MANAGED SCHEMES WILL GENERALLY ONLY BE SUCCESSFUL IF THEY ARE MARKETED **THROUGH BROKERS** ON A NATIONWIDE BASIS. THIS CONCEPT HAS ALREADY BEEN SHOWN TO WORK VERY WELL FOR THE INSURERS, THE DESIGNING BROKER AND THOSE BROKERS WHO DISTRIBUTE THE PRODUCT. THIS TYPE OF ARRANGMENT INVOLVES AN EQUITABLE ALLOCATION OF COSTS AND OF INCOME.

ALTERNATIVE RISK FINANCING

IN THE COMMERCIAL NON-LIFE INSURANCE SECTOR ONE OF THE GREATEST THREATS/CHALLENGES TO BROKERS **AND** INSURERS IS THE ALTERNATIVE RISK FINANCING CONCEPT. THIS CAN TAKE ANY ONE OF A NUMBER OF FORMS

- > SELF INSURANCE / SELF FUNDING OF CLAIMS BY A COMPANY OR GROUP OF COMPAINES

- > SIMPLE BASIS OF ACCOUNTING FOR AND PAYING CLAIMS AS AND WHEN THEY ARISE OR THROUGH MORE SOPHISTICATED FUNDING MECHANISMS SUCH AS CPATIVE INSURANCE COMPANIES INCLUDING GROUP OR ASSOCIATION CAPTIVES OR **MANAGED** SELF-INSURED PROGRAMMES.

IN THE LONG-TERM COMMERCIAL ORGANISATIONS WILL ONLY PURCHASE CONVENTIONAL INSURANCE IF IT IS COST EFFECTIVE TO DO SO. THOSE GROUPINGS AND ASSOCIATIONS IN IRELAND WHICH MAY NOT BE SUFFICIENTLY LARGE TO BECOME INVOLVED IN A SELF INSURED/CAPTIVE PROGRAMME MAY BE ABLE TO ACHIEVE SIGNIFICANT BENEFITS BY LINKING WITH TRANS-EUROPEAN ASSOCIATIONS.

SUCH DEVELOPMENTS COULD POSE A SERIOUS THREAT TO IRISH BASED INSURERS AND BROKERS.

RISK MANAGEMENT SERVICES

INSURERS CONTINUE TO BE VERY CONCERNED ABOUT THE ESCALATION IN THE COST OF CLAIMS PARTICULARLY PERSONAL INJURY CLAIMS IN IRELAND OVER THE LAST NUMBER OF YEARS. BUSINESSMEN AND PRIVATE INDIVIDUALS ARE AT LEAST AS CONCERNED ABOUT THAT VERY SAME ISSUE AND ABOUT THE EFFECT THAT THE RAPID ESCALATION OF CLAIMS IS HAVING ON INSURANCE COSTS. THE FACT THAT THE VERY HIGH LEVEL OF CLAIMS COSTS AND PREMIUM CAN MAKE IRISH BUSINESS ENTERPRISES UNCOMPETITIVE IN THE INTERNATIONAL MARKET IS AS WE KNOW OCCUPYING THE ATTENTION OF INDUSTRIALISTS AND POLITICIANS IN FACT ALMOST EVERYONE IN THE COUNTRY.

FOR THE MOMENT AT LEAST WE HAVE TO ACCEPT THE SOCIO, ECONOMIC AND LEGAL ENVIRONMENT IN WHICH WE ALL OPERATE. WHILE THE GREAT DEBATE ABOUT CHANGE (OR NO CHANGE) GOES ON THE MANAGEMENT OF EACH BUSINESS ENTERPRISE SHOULD DO EVERYTHING POSSIBLE TO REDUCE OR ELIMINATE ACCIDENTS AND CLAIMS AS A RESULT OF WHICH INSURANCE COST COULD DRAMATICALLY REDUCE.

ONLY VERY VERY LARGE COMMERCIAL ORGANISATIONS CAN AFFORD TO HAVE **INHOUSE** ALL OF THE EXPERTISE WHICH IS NEEDED TO IDENTIFY AND DEAL EFFECTIVELY WITH THE RISK EXPOSURES - INSURABLE AND OTHERWISE. THE MAJORITY OF COMPANIES NEED TO PURCHASE SPECIALIST RISK MANAGEMENT SERVICES ON A BASIS APPROPRIATE TO THE TYPE AND SIZE OF BUSINESS IN WHICH THEY ARE INVOLVED. THESE SERVICES ARE AVAILABLE FROM SPECIALIST RISK MANAGEMENT CONSULTANTS SOME OF WHOM ARE PART OF INSURANCE BROKING GROUPS. SOME **INSURERS** ALSO PROVIDE SUCH SERVICES.

THERE ARE GREAT **OPPORTUNITIES NOW FOR BROKERS** TO PROVIDE RISK MANAGEMENT ADVICE AND ASSISTANCE TO INDUSTRIALISTS IN IRELAND AND ELSEWHERE. BROKERS WITH THE APPROPRIATE RESOURCES ARE ALSO IN A POSITION TO PROVIDE INSURERS WHETHER ESTABLISHED HERE OR OPERATING UNDER FREEDOM OF SERVICES WITH COMPREHENSIVE RISK SURVEY REPORTS WHICH WILL BE INVALUABLE TO UNDERWRITERS.

THE ABSENCE OF THESE RESOURCES SHOULD BE SEEN AS A THREAT AND A MISSED OPPORTUNITY BY BROKERS.

CLAIMS MANAGEMENT SERVICES

EVEN THE BEST RISK MANAGEMENT WORK IS UNLIKELY TO ELIMINATE **ALL** ACCIDENTS AND CLAIMS. MANY CLIENTS ARE NOT CONVINCED THAT THE WAY IN WHICH INSURERS DEAL WITH CLAIMS IS IN THE CLIENTS' BEST INTERESTS. THERE IS AN IMPORTANT ROLE FOR THE PROFESSIONAL BROKER TO PLAY IN DISCUSSING WITH INSURERS THE STRATEGIES AND TACTICS TO BE ADOPTED IN RELATION TO CLAIMS AND IN THEN TALKING THE SITUATION THROUGH WITH THE CLIENT. THIS CAN ONLY BE DONE EFFECTIVELY IF THE BROKER IS IN A POSITION TO PROVIDE THE APPROPRIATE LEVEL OF EXPERIENCE AND EXPERTISE IN THIS AREA EITHER FROM HIS HOW RESOURCES OR ON A CONTRACT BASIS.

CONTROL OF COSTS

BROKERS COSTS GENERALLY WILL HAVE TO BE VERY TIGHTLY CONTROLLED WITHOUT IN ANY WAY IMPACTING ON CLIENT SERVICE. OTHERWISE MORE AND MORE BUSINESSES WILL FALL INTO THE HANDS OF DIRECT WRITERS AND OTHERS. **EFFECTIVE USE OF TECHNOLOGY IS THE KEY TO CONTROLLING COSTS AND TO PROVIDING SPEEDY AND ACCURATE INFORMATION TO CLIENTS AND THEREFORE TO GROWING THE BUSINESS.** IRISH BROKERS ARE VERY MUCH DEPENDANT ON CO-OPERATION BETWEEN MAJOR INSURERS IN THIS HOME MARKET TO ACHIEVE COMPATABILITY OF CORE SYSTEMS. OTHERWISE THERE WILL CONTINUE TO BE INEFFICIENCIES IN THE MARKET WHICH WILL GIVE OTHER WHO ARE MORE EFFICIENT AND COST-EFFECTIVE AND WHO ARE PREPARED TO ADAPT TO BROKER-SYSTEMS THE OPPORTUNITY TO CAPTURE VALUABLE MARKET SHARE.

PROFESSIONAL INDEMNITY INSURANCE COST

ONE OF THE LARGEST OVERHEADS OF ANY NON-LIFE BROKER AFTER PAYROLL IS THE COST OF PROFESSIONAL INDEMNITY INSURANCE. AS THE WORLD BECOMES MORE AND MORE LITIGIOUS THIS COST WILL INCREASE UNLESS BROKERS PUT INTO PRACTICE THE SAME RISKS MANAGEMENT PRACTICES AS THEY RECOMMEND TO THEIR CORPORATE CLIENTS.

LANGUAGES

WHILE A GREAT DEAL OF TRANS-EUROPEAN INSURANCE BUSINESS IS CONDUCTED THROUGH ENGLISH THERE ARE AND WILL BE IN THE FUTURE A NEED FOR BROKERS TO HAVE FLUENCY IN CONTINENTAL LANGUAGES - PARTICULARLY FRENCH AND GERMAN. THERE IS SELDOM A LANGUAGE DIFFICULTY WITH THOSE WHO ARE TRYING TO DO BUSINESS WITH US BUT **IF WE ARE TRYING TO SECURE BUSINESS IN A CONTINENTAL EUROPEAN COUNTRY INABILITY TO CONDUCT CONVERSATION AND BUSINESS IN THEIR LANGUAGE WILL BE A MAJOR OBSTACLE.**

SOLVENCY OF INSURERS

THERE IS AN INCREASING NEED FOR AND **RESPONSIBILITY ON** BROKERS TO BE AWARE OF THE FINANCIAL STATUS OF INSURERS WITH WHOM RISKS ARE BEING PLACED. THIS HAS NOT BEEN A GREAT PROBLEM IN THE PAST BECAUSE OF THE RESTRICTED LICENSED MARKET IN IRELAND. **IT IS AND WILL BE A PROBLEM IN THE CONTEXT OF THE SINGLE MARKET AND BROKERS WILL IGNORE IT AT THEIR PERIL.** THERE ARE RATING AGENCIES WHO PROVIDE VERY USEFUL GUIDELINES AND INFORMATION REGARDING INSURERS. THEIR FEE MAY BE CONSIDERED EXPENSIVE BUT BROKERS OR (GROUPS OF BROKERS - PARTICULARLY THOSE WHO INTEND TO PLACE BUSINESS OUTSIDE IRELAND) MAY TAKE THE VIEW THAT THEY HAVE NO OPTION BUT TO HAVE WHATEVER RATING INFORMATION IS AVAILABLE ON THE INSURERS WITH WHOM THEY ARE DEALING.

CENTRALISATION OF AUTHORITY

CENTRALISING OF AUTHORITY BY INSURERS IS A WORRYING TREND. WE HAVE ALREADY SEEN IT HAPPEN WITHIN IRELAND E.G. THE TENDENCY FOR UNDERWRITING AND CLAIMS SETTLING AUTHORITY TO BE CENTRALISED IN DUBLIN MAKING LIFE MORE AND MORE DIFFICULT FOR BROKERS OUTSIDE DUBLIN. IF THIS TREND WAS TO EXTEND TO A CENTRALISATION OF AUTHORITY TO LONDON, BRUSSELS OR PARIS IT WOULD SERIOUSLY IMPAIR THE ABILITY OF IRISH BASED BROKERS TO ACHIEVE THE BEST RESULTS AND DELIVER THE BEST SERVICE TO CLIENTS.

BROKERS FACED WITH THIS SITUATION WILL HAVE TO PUT IN PLACE ARRANGEMENTS WHICH WILL ENSURE THAT WHEN REQUIRED THEY HAVE DIRECT ACCESS TO DECISION-MAKERS.

TOTAL PERSONAL FINANCIAL PLANNING SERVICES

MAJOR CHANGES HAVE TAKEN PLACE IN RELATION TO PRODUCT DESIGN DISTRIBUTION AND CONSUMER AWARENESS AND NEEDS IN THE LIFE ASSURANCE SECTOR.

PRODUCT DESIGN

NEW PRODUCTS HAVE EMERGED WITH A MAJOR **EMPHASIS ON PURE INSURANCE PROTECTION** RATHER THAN INVESTMENT AND SAVINGS. MOST EVIDENT HAS BEEN THE EMERGENCE OF SERIOUS ILLNESS AND CRITICAL ILLNESS POLICIES FROM A NUMBER OF INSURERS. **THE RANGE OF COVER AND THE TECHNICAL SPECIFICATION OF THESE POLICIES IS CHANGING ALMOST ON A DAILY BASIS.** IT IS VITAL FOR BROKERS TO KEEP THEMSELVES FULLY INFORMED AS NEW PRODUCTS EMERGE.

DISTRIBUTION

PRODUCT DISTRIBUTION HAS CHANGED DRAMATICALLY WITH THE DEVELOPMENT OF MAJOR MARKETING STRATEGIES BY THE MAIN BANKS THROUGH THEIR SUBSIDIARY LIFE COMPANIES. THERE HAS ALSO BEEN A MAJOR INCREASE IN THE NUMBER AND SIZE OF DIRECT SALES FORCES OPERATED BY MANY LIFE COMPANIES. THESE DEVELOPMENTS REPRESENT THREATS TO BROKERS. THEY ALSO PROVIDE OPPORTUNITIES BECAUSE THE MORE SOPHISTICATED CONSUMER WILL WANT THE INDEPENDENT ADVICE OF A PROFESSIONAL BROKER ON THE RELATIVE MERITS OF NEW INSURANCE-BASED PRODUCTS.

CONSUMER AWARENESS AND NEEDS

CONSUMERS HAVE LEARNED EXPENSIVE LESSONS REGARDING THE VOLATILITY OF THE INVESTMENT MARKET THROUGH INVESTING IN UNIT-LINKED REGULAR AND SINGLE PREMIUM LIFE ASSURANCE PRODUCTS. **THIS HAS PROVIDED AN OPPORTUNITY FOR BROKERS TO RE-EMPHASISE THE VALUE OF USING EITHER PARTLY OR TOTALLY WITH PROFITS LIFE ASSURANCE PRODUCTS AS DISTINCT FROM UNIT-LINKED.** UNFORTUNATELY MANY INSURERS HAVE CEASED WRITING WITH PROFITS BUSINESS BUT I BELIEVE SOME MAY RE-VISIT THE WITH PROFITS AREA IN AN EFFORT TO RETAIN PART OF THE LONG-TERM SAVINGS MARKET.

IN THE LIFE MARKET IT WILL BE NECESSARY FOR OUR LEGISLATORS TO CHANGE THE VERY PENAL TAXATION TREATMENT APPLYING TO THE PROCEEDS OF FOREIGN LIFE POLICIES. IF THE THIRD LIFE DIRECTIVE IS TO GIVE BROKERS THE OPPORTUNITY TO OFFER THE FULL RANGE OF PRODUCTS AND SERVICES FROM THE SINGLE MARKET TO THEIR CUSTOMERS AND TO GIVE CONSUMERS THE BENEFITS OF THE SINGLE MARKET WHICH HAS BEEN SO LONG AWAITED AND SO LONG PROMISED BY OUR POLITICIANS, EUROCRATS AND BEAUCRATS.

PENSION FUND SPECIALIST SERVICES

A NUMBER OF EMPLOYEE BENEFITS BROKERS AND CONSULTANTS HAVE RECOGNISED THE INCREASINGLY SOPHISTICATED REQUIREMENTS OF THEIR CORPORATE CLIENTS IN RELATION TO PENSION SCHEMES AND ASSOCIATED SERVICES. THE MORE TRADITIONAL APPROACH OF USING A PACKAGE WITH A LIFE COMPANY TO PROVIDE PENSION SCHEME SERVICES INCLUDING ADMINISTRATION, LEGAL AND DOCUMENTATION, ACTUARIAL SERVICES AS WELL AS FUND MANAGEMENT AND RISK INSURANCE HAS BEEN "UNBUNDLED".

A NUMBER OF CONSULTANTS NOW OFFER SPECIALISED SERVICES ON A FEE PAYING BASIS IN MANY OF THESE AREAS MOST PARTICULARLY

- > **ACTUARIAL SERVICES**
- > **SCHEME ADMINISTRATION**
- > **SCHEME ACCOUNT**
- > **LEGAL DOCUMENTATION SERVICES / COMMUNICATIONS**
- > **CORPORATE TRUSTEESHIP**
- > **TRUSTEE SERVICES INCLUDING TRAINING COURSES**

THIS DEVELOPMENT HAS ALLOWED BROKERS AND CONSULTANTS TO DEVELOP THEIR SERVICES IN A VERY PROFESSIONAL WAY IN AN INCREASINGLY COMPLEX MARKET.

BROKERS WHO DO NOT HAVE ALL OF THE TECHNICAL RESOURCES NEEDED TO PROVIDE THESE SPECIALIST SERVICES SHOULD CONSIDER HOW BEST THEY CAN ACCESS THE NECESSARY SKILLS IF THIS IS A SECTOR OF THE MARKET IN WHICH THEY WISH TO BE.

SINCE IMPLEMENTATION OF THE PENSIONS ACT 1990 PENSION SCHEME OPERATORS AND THEIR CONSULTANTS HAVE HAD TO COPE WITH MORE LEGISLATION, REGULATIONS AND REQUIREMENTS THAN THOSE WHICH WERE INTRODUCED IN THE U.K. DURING THE LAST FIFTEEN YEARS. THE LEGAL FRAMEWORK WITHIN WHICH PENSIONS SCHEMES MUST OPERATE IS NOW MORE ADVANCED IN IRELAND THAN IN THE U.K.

WHILE A CHANGING MARKETPLACE PROVIDES BOTH THREATS AND OPPORTUNITIES I BELIEVE IT IS VITAL THAT BROKERS AND CONSULTANTS SPEND CONSIDERABLE RESOURCES AND ENERGIES ON PLANNING THEIR BUSINESS DURING THE NEXT DECADE.

THOSE WHO DO NOT WILL BE LEFT BEHIND AND WILL BE SWEEPED AWAY AS THE THREATS MATERIALISE INTO LOSS OF BUSINESS. THOSE WHO SUCCESSFULLY PLAN THEIR BUSINESSES AND APPLY THE PROPER RESOURCES AND ENERGIES TO THE PLANNING PROCESS WILL SEIZE THE OPPORTUNITIES IN WHAT WILL BE A MORE COMPLEX, MORE COMPETITIVE AND MORE CHALLENGING MARKETPLACE.

NONE OF US CAN AFFORD TO BE COMPLACENT - NOBODY OWES US A LIVING - WE HAVE TO JUSTIFY OUR EXISTENCE EVERY DAY.

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