



# **BROKER CLAIMS: THE 7 DEADLY SINS**

IN ASSOCIATION WITH GRIFFITHS & ARMOUR

## AGENDA...

- Negligence Claims Against Brokers: ‘The Problem’
- Recurring Themes: ‘Seven Deadly Sins’
- Mitigating The Risks: Simple Steps to Protect Your Business
- Final Thoughts...
- Questions & Answers

# NEGLIGENCE CLAIMS AGAINST BROKERS

The Problem



## INCREASING FREQUENCY OF CLAIMS AGAINST PROFESSIONAL ADVISORS

Economic Conditions

Increasing Litigiousness

Insurer Claims Behaviours

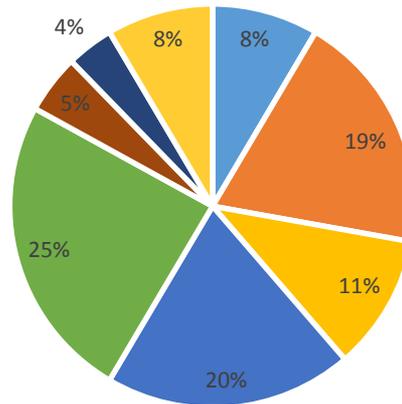
Publicity of court awards  
against advisors

Changes to regulation and  
laws governing insurance

Lawyers Seeking New  
Income Streams

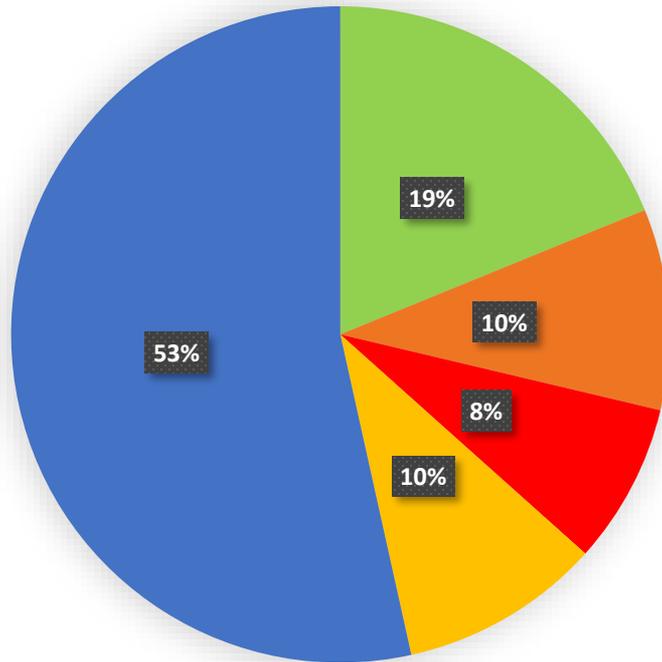
## CAUSES OF CLAIMS

- Claims Handling Issues
- Failure to Effect Insurance
- Failure to Highlight Policy Terms and Conditions
- Other Broker Error/Omission
- Cover Dispute
- Failure to Establish/Disclose Material Facts
- Insurer Solvency
- Underinsurance



## FREQUENCY OF CLAIMS AGAINST BROKERS

### CLASS OF BUSINESS



■ Claim last 12 months (no payment)

■ Claim last 12 months (payment)

■ Claim last 3 years (payment)

■ Claim last 3 years (no payment)

■ No notifications last 3 years

# RECURRING THEMES

'Seven Deadly Sins'

## SEVEN DEADLY SINS

Failure to  
effect  
valid/accurate  
cover

Failure to  
action client  
instructions

Questionable  
market  
selection

1

2

3

4

5

6

7

Ineffective  
communication

Failure to  
meet clients  
needs

Not  
resourcing the  
business  
properly

Not sticking to  
what you're  
good at

# MITIGATING THE RISKS

Simple Steps to Protect Your Business

## RISK MITIGATION: HINTS & TIPS

1

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Check your systems and processes

2

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Keep effective file notes

3

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Tailor communication to individual clients

4

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Review your standard documentation, keep it simple

5

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How good is your insurance safety net?

6

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Don't make assumptions, check, check & check again

# FINAL THOUGHTS...

**“The Broker cannot bury their mistakes in the grave like the doctor... argue them into thin air or blame the judge like the lawyer.**

**They cannot screen their shortcomings by blaming their opponents. The great liability of the Broker is that when a customer is dissatisfied, they are vulnerable to allegations of negligence.**

**There are few or no other parties to blame. If a policy does not respond, the Broker is damned”**

**(MATT MACLAREN 1982 – .... )**

- Unfortunately, it is highly likely you will face a PI claim at some point.
- Bad things can and do happen to good firms.
- Valuing what you do is a big part of good risk management.
- Doing the simple things well really can help to avoid claims and leave you well placed in the event of claims arising.

**QUESTIONS?**

**THANK YOU**  
**ANY QUESTIONS?**

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