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The changing face of Insurance Distribution and the growth of Appointed Representative Networks

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Introduction to speakers

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Gauntlet Overview





What is an Appointed Representative?

The FCA definition is:

An Appointed Representative (AR) is a person or firm who conducts regulated activities and acts as an agent for a firm directly authorised by the FCA. The directly authorised firm is known as the AR's 'principal'

- Discuss regulatory issues & relationships later



Why are Appointed Representatives numbers growing?

- Increase in Insurance Broker consolidation over last 10 years
- 15 years ago there were 10000 brokers in UK, now there are between 2500- 3000

- Some of the Names that have disappeared in the last year include...



Brokers that have disappeared in the last year include:

<u>Broker</u>	<u>Location</u>	<u>Buyer</u>
• John Reynolds Insurance	Sale	Henderson
• Cooke & Mason	Retford	PIB
• Croton Stokes Wilson Holden	Reigate	Integro
• Chris Frost Insurance	Maidenhead	Stackhouse Poland
• Exchange Insurance Services	Liverpool	Bluefin
• Euromarine	Broadstairs	Lark
• Cavendish Munro	London	GRP
• Osbornes Insurances	Thame	Bluefin
• Webb Holton	Birmingham	Colmore IB
• Marshall Wooldridge	Leeds	GRP



Brokers that have disappeared in the last year include:

<u>Broker</u>	<u>Location</u>	<u>Buyer</u>
• Finch Group	Reading	Broker Network
• QPI Legal	Northampton	PIB
• Lucas Fettes	London	Stackhouse Poland
• Carmichael & Partners	Aberdeen	PIB
• Bausor Hall	Coventry	Kingsway Insurance
• Northern Alliance	Wakefield	Bluefin
• S- Tech	Cambridge	Alan Boswell
• Bluefin	London	Marsh
• Poole Martin	Bristol	Venture Insurance
• D E Ford	York	PIB



Brokers that have disappeared in the last year include:

<u>Broker</u>	<u>Location</u>	<u>Buyer</u>
• Higos Insurance	Wells	GRP
• MPW	Maidstone	Clear Group
• Glynwood Insurance	Dudley	Academy
• Arthur Marsh & Co	Birmingham	County Group
• Bell & Co	Derby	Aston Scott



Q to audience “who here has been in a business that’s been taken over”?

- Many good Directors and Account Executives unhappy at the uncertainty & want to take control of their careers
- Choice then is
 - Stay on the corporate merry-go-round & wait for the next upheaval
 - Start own business
- Setting up a new Insurance Broking Business can be via two routes
- Directly Authorised
 - FCA approval
 - Compliance
 - Staffing
 - Back office costs (account handling, marketing, credit control)
 - Access to markets can be limited until scale achieved
 - Above can divert ‘new broker’ from vital sales work in year one/two



Q to audience “who here has been in a business that’s been taken over”?

- Appointed Representative
 - Approvals from Principal Company
 - No initial staffing issues
 - All back office services provided as part of the package
 - Immediate access to premier insurer markets
 - Hit the ground running from Day One
 - Concentration on sales & building scale
- Main Appointed Representative Networks have around 200 ARs
 - Grew by 50+ in 2014
 - Grew by 75 in 2015
 - Grew by 55 in 2016
- Which are The main AR Networks



Evolution of the 'Modern' AR

- Ongoing consolidation of the UK broking market
- Causing uncertainty & disaffection amongst broking staff
- Individuals desire to break free & set up own businesses
- Barriers to gaining own approvals via FCA and Capital Adequacy Requirements
- AR route enables quick trading start & enhance market access
- Back office support for AR enables them to concentrate on client prospecting, sales and retention



Benefits to the Principal Company

- Reduces risk inherent when taking on a new Account Executive
- No salaries, cars, bonuses or other 'add-on' benefits to be provided
- Encourages self-starting winners rather than journeymen
- Can take on several AR's at the same time



Rules of Engagement for Principal

- Robust Procedures
- AR Agreement
- Compliance
- Service
- Access to market
- Management Time & Resources
- Oversight & Supervision



Gauntlet Network

- First AR started in 2007
- Now have 36 ARs across UK
- Some niche ARs- Equestrian Liability, Trade Credit, Removal Industry, PI
- Dedicated AR team including an SME, Administration, Handling, Compliance, Bespoke Broking, Credit Control, Marketing & PR
- Had several ARs as temporary ARs before moving to Directly Authorised, Powell Bateson, M&C Risk Solutions, Smith England, Stephenson's Risk Management



What does an Appointed Representative look like & what are their challenges?

- Typically AE
- Previously sold to consolidator & looking to move back out
- Doesn't want DA status
 - FCA time to get DA
 - Access to market
 - Accounts
 - Initial set up – websites / business cards
 - IT platform
 - GRM take care of all above
- Lonely
- No guaranteed income
- Restrictive covenants
- No “team” around you



How does it work?

- AR sources client
- AR obtains risk information
- AR sends submission to Principal's broking team
- Principal's broking team discuss with AR markets to approach
- Principal's broking team send to market & obtain terms
- Principal's broking team check quote & send to AR
- AR provides terms to client and secures
- AR places cover & confirms to insurer & client
- AR confirms all details to principals admin dept
- Principal's admin debt invoice / set up on IT platform / audit file / collect money / pay insurer accounts



Regulatory Issues

- An appointed representative (AR) is a person or firm who conducts regulated activities and acts as an agent for a firm directly authorised by the FCA. The directly authorised firm is known as the AR's 'principal'
- FCA Thematic Review -
 - Published in July 2016
 - Review focused on principal firms' understanding of their responsibilities for their ARs and oversight of their activities
 - Review included a survey of 190 principals who sold home / motor / travel / GAP, warranty and SME products
 - 15 principals then selected & reviewed and 25 ARs of these principals were interviewed



Regulatory Issues

- What did they review – policies / procedures / contractual documentation / client facing documents / files and sale processes
 - What did they find – Significant shortcomings in relation for the principals understanding of their regulatory obligations / lack of control & oversight / mis-selling
 - What happens next – 5 firms stopped from taking on new ARs / 2 firms were asked to cease or limit their sales activity
- What does this mean



Regulatory Issues

- Means that principal has responsibility for everything:
 - Recruitment
 - Notifications
 - Set up
 - Branding
 - Training
 - Supervision & Monitoring
 - Termination

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Questions
and Answers

